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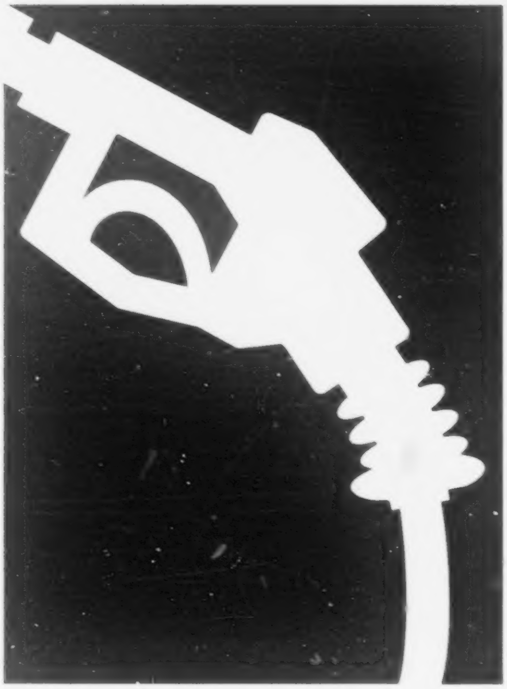

what do the 25 largest oil companies have to say about gasoline marketing in 1981?

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INTRODUCTION

WHAT DO THE TOP 25 OIL COMPANIES HAVE TO SAY ABOUT GASOLINE MARKETING IN 1981?

The American public buys a lot of gasoline. American oil companies refine and sell a lot of gasoline. In 1980 about 109,000,000,000 ($109 billion) gallons of gasoline were sold at retail in the United States. At an average price of $1.22 per gallon, it's a $133,000,000,000 ($133 billion) business. That is 5.6% of the gross national product, 8.8% of total personal expenditures and 10.3¢ out of every dollar spent on non-durable goods and services.

When we write about the gasoline marketing business in this report, we are writing about the retail end of the oil business. Forty-six percent of the output of United States refineries is gasoline. Gasoline marketing describes the function whereby customers exchange money for gasoline. It's the end purpose of half of the oil business. For most people this exchange takes place at a gasoline station in the area where they live or work. How the customer feels about oil companies is most generally affected by this transaction.

The history of gasoline marketing has always been turbulent and has been extremely competitive. Historically, there has always been more gasoline for sale than there have been buyers. Oil companies, who have been the traditional marketers, have competed fiercely between themselves in both price and non-price areas to maximize their sales. Many strategies have been worked out and executed to increase gasoline sales and the market shares of the competing companies.

Gasoline marketing may be at the crossroads. The industry has gone through the supply contortions of the Seventies, which were caused by governmental price controls and Mideast politics. These disruptions have left the gasoline marketing system in disarray and in a state of benign neglect. Most service stations that exist today were built before 1974. Thousands of pre-1974 stations are no longer used for gasoline marketing and have been converted to other uses. Costs of operation for the remaining stations have increased faster than gallonage gains have been made to offset the added expenses.

We developed this report because we wanted to know what the managements of the companies that refine most of the gasoline in the United States were thinking about gasoline marketing. We thought those organizations that find the oil, produce the crude, refine the product, and control most of the retail outlets in the country would be doing a lot of thinking about gasoline marketing.

To find out their thinking we went to their annual reports. We selected the 25 largest oil refiners on the basis of their refinery outputs. These 25 companies refine 78% of the gasoline produced in this country. All of the companies are publicly owned and the managements typically own less than 1% of them. The annual report is the principal form of communication between these managements and the owners. Managements tend to tell the stockholder what they consider to be important in these reports. Their philosophies, policies, thrusts, programs, and approaches to problems and opportunities are generally apparent from annual reports.

We went through the annual report of each of these companies and extracted every reference and every picture pertaining to gasoline marketing. They are reproduced in this report exactly as they appeared in the annual reports.

We then sent a letter to the highest ranking marketing officer of each of the companies. If we could not identify a marketing officer, we sent the letter to the chief executive of the company. Copies of that letter and the marketing departments' responses are included in this survey.

Here is what the 25 largest oil companies have to say about gasoline marketing in 1981.

THE ANNUAL REPORTS

The Annual Reports of these companies are impressive. They are generally long (about 60 pages), full of very nice photographs, and well written. It's only after you've read a number of them that the genre begins to appear ridiculous. It's even possible that all of these reports were written by the same staff. That would explain why off-shore oil rigs, petrochemical plants, refineries, and pipes in general abound throughout these reports. They praise the present administration and decontrol, and make a plug for energy conservation. They are against the windfall profits tax, but for more federal lands being leased for energy exploration and production. Above all, they emphasize that they are good corporate citizens. They want to solve the energy crisis and contribute to the good causes throughout America.

Marketing gets lost in the big parade. The major marketing statement in most reports is that stations will be closed to attain greater efficiency. Other changes include adding a high octane unleaded gasoline, or a change in pump design. Other than that, the reports say almost nothing about marketing. Based on the number of pictures, there is a lot more off-shore oil drilling and public service being done than there is gasoline being sold. Of course, the romance of the whole industry is in the great adventure of searching through the world's oceans and jungles in search of more crude. Selling the product must be nowhere near as difficult.

EXXON CORPORATION
December 31, 1980

Sales: $110,381,000,000

Earnings: $5,650,000,000

Number of Employees: 177,000

Return on Average Shareholders Equity: 22.2%

Number of Exxon Gasoline Stations in the United States:

12/31/80 - 22,886
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Exxon Worldwide Sales (by Barrels) 8.6%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 3

Background of Chief Executive: Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 1/10th of 1%

Annual Report: 52 Pages

Amount of Space Devoted to Gasoline Marketing: 1/4 Page

What the Exxon Annual Report says about Gasoline Marketing:

Refining and Marketing

Refining and marketing earnings rose 18 percent.

Improved margins offset the effect of lower sales volumes in virtually all markets. The year-to-year improvement in earnings was concentrated in the first half, reflecting the relatively depressed margins which had prevailed in the first half of 1979.

Demand for petroleum products declined in most industrialized countries, variously reflecting the more efficient use of energy, substitution of other forms of energy and sluggish economies. During the first three quarters of 1980, Exxon's product inventories grew to historically high levels. They were partially drawn down following the outbreak of war between Iraq and Iran.

Page 10

Exxon USA introduced a second unleaded gasoline.

EXXON EXTRA UNLEADED gasoline was introduced in most U.S. markets in the fall of 1980. It is intended for cars that do not perform satisfactorily on lower octane gasolines. Concurrently, leaded premium gasoline was phased out because of reduced demand.

Page 11

Excerpt from the Annual Report of Exxon Corporation December 31, 1980

SHELL OIL COMPANY
December 31, 1980

Sales: $19,959,000,000

Earnings: $1,542,000,000

Number of Employees: 36,596

Return on Average Shareholders Equity: 22%

Number of Shell Oil Gasoline Stations in the United States:

12/31/80 - 15,400
12/31/79 - 16,500
12/31/76 - 19,200
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Shell Worldwide Sales (by Barrels) 57.2%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 1
Refineries - 1
U.S. Gasoline Pumps - 2
Gasoline Station Employees - None
Coal Mines - 2
Corporate Citizenship - 3

Background of Chief Executive: Geologist

Percentage of Company Stock Owned by Corporate Officers and Directors: 27/100th of 1%

Annual Report: 60 Pages

Amount of Space Devoted to Gasoline Marketing: 3 Pages

What the Shell Annual Report says about Gasoline Marketing:

Oil Products Results Improved. I am especially pleased that our 1980 Oil Products financial results were among the best in the industry, with an earnings increase of 25 percent over those of 1979. Our gasoline sales volumes were only 1 percent below those of 1979, compared to a 6-percent decline for industry. At the end of the year Shell remained among the leading U.S. gasoline marketers.

Page 2

- **Maintained our gasoline leadership through a more efficient retail network.**

Page 15

Excerpt from the Annual Report of Shell Oil Company, December 31, 1980

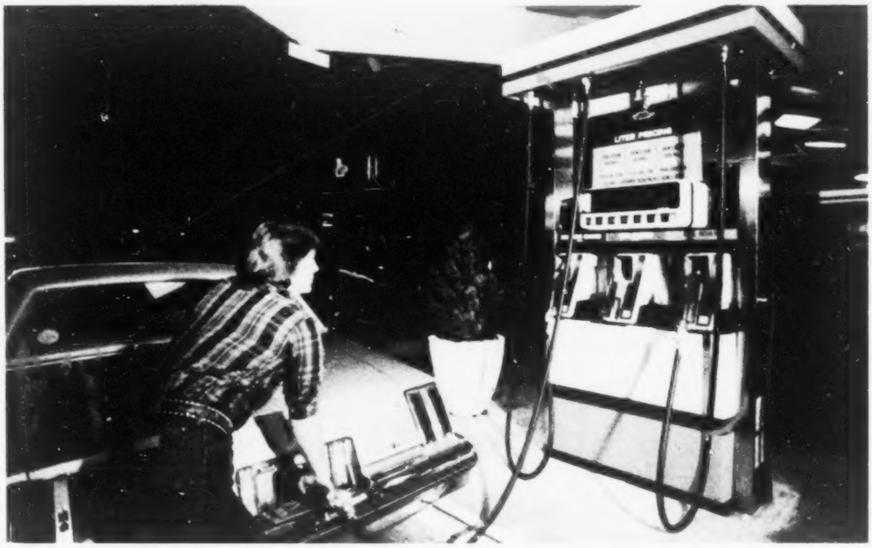
- **Maintain our Oil Products business as the most efficient and profitable of the industry majors.** Our strategy of cutting costs and consolidating retail operations continues to pay off. We believe our return on investment from Oil Products is consistently 2-3 percentage points above that of industry and at the average of all manufacturing. No major competitor appears to have had higher returns year after year. We should continue to outperform most competitors in this segment of our business because we have positioned ourselves to prosper in times of shortage or surplus. During shortages, it is important to have adequate, secure crude supplies. In times of surplus, it is important to be efficient, have logistically well-placed markets, a balanced mix of products, and refineries able to turn out required products from crudes of varying quality. We think we are among the best positioned of all companies with respect to successful operations in the 1980s.

Page 4

4.

4. About 75 percent of the service stations directly owned or leased by Shell offer self serve facilities.

Page 5



In parts of the country, Shell has replaced worn mechanical gasoline pumps with multipurpose electronic gasoline dispensers. Advantages include more rapid fueling and improved pump maintenance.

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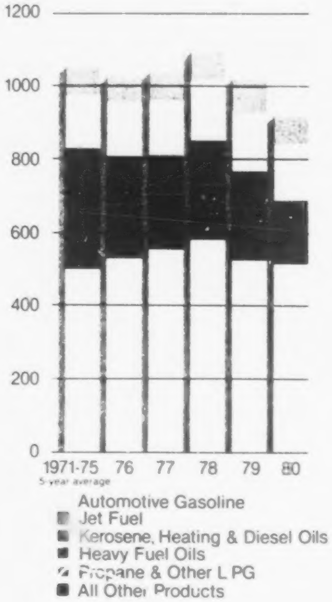
Excerpt from the Annual Report of Shell Oil Company, December 31, 1980

Oil Product Sales
(Thousands of Barrels Daily)



Oil Products

The Oil Products segment of our business involves the manufacture, distribution and marketing of refined products such as gasoline, jet fuel, fuel oils and lubricants.

Earnings of $320 million from this segment in 1980 increased $64 million from 1979. A key factor in the increase was Shell's improved raw material position. In contrast to 1979, more foreign crude oil was available. And although crude and product prices continued to rise, the market and supply conditions in 1980 permitted the earnings improvement.

In 1980, gasoline supplies were generally adequate to meet reduced consumer demand. And, through effective marketing by our dealers and jobbers, Shell's gasoline sales dropped only about 1 percent from 1979, compared to a 6-percent decrease for industry. At the end of 1980, Shell was once again among the leading U.S. gasoline marketers.

Our long-term forecasts indicate gasoline demand will decline about 1-2 percent yearly during the 1980s. We expect improved automobile mileage and increased conservation to more than offset the effects of a larger car population.

Demand for unleaded gasoline continues to increase as older automobiles using leaded gasoline are replaced, and because of the federal phasedown of lead additives in gasoline. Accordingly, we have changed the types of gasoline we market in order to offer a choice of octane and price. The changes were made east of the Rocky Mountains in 1979 and west of the Rockies in 1980. They involved

- discontinuing Super Shell premium leaded gasoline.
- upgrading our existing unleaded gasoline, Super Regular Unleaded, to a higher octane product, Shell Super Unleaded. This will satisfy customers with high octane and engine performance requirements, as well as most of the Company's former Super Shell customers.
- introducing Shell Unleaded, a second, lower octane unleaded gasoline for customers not requiring higher octane.

We continue to market Shell Regular for cars using leaded regular.

Looking ahead, we are implementing strategies which will enable us to market most effectively in a time of declining demand. These include relinquishing older, outmoded stations directly owned or leased by Shell (more than 450 in 1980; 2,200 since 1976) and increasing the average amount of gasoline sold per station. The benefits of these improvements in marketing efficiency will accrue to both Shell and our customers.

While we have moved to increase marketing effectiveness, legislation threatening petroleum marketing practices has been seriously considered at the federal and state levels for the past several years. In 1980, congressional committees discussed bills that would ban large refiners such as Shell from operating service stations with salaried employees. Although Shell sells less than 1 percent of its motor gasoline through this type station, such proposals concern us. We believe the marketplace should decide who are the most effective sellers.

Meanwhile, we have expanded our AUTO CARE® program, under which dealers agree to guarantee car repairs by their own certified mechanics. This program flourishes because there are fewer competitive repair facilities, automobiles are becoming increasingly complex, and consumer demand for reliable repairs is growing. More than 2,000 stations now offer AUTO CARE.

In other oil products lines, we

- produced less jet fuel by refining more heavy high-sulfur crude oil. Although we gave up part of our market share, we strengthened our jet fuel business by withdrawing from some markets in which we were logistically disadvantaged and consolidating sales where Shell can be competitive in the long term.
- continued withdrawal from selected distillate markets to reshape our business to concentrate on the Midwest and the West Coast, where our competitive positions are strong.

The Oil Products segment earnings, while relatively stable at $250 million and $256 million respectively in 1978 and 1979, grew to $320 million in 1980. For some years our goals have been to emphasize the manufacture and marketing of light products and concentrate our efforts on market segments and areas where our logistical strengths and efficiencies lie. Although industry sales volumes of gasoline declined 6 percent in 1980, Shell's were down only 1 percent, and the Company's share of the market increased. Shell's percent of gasoline sales to its total refined product sales increased from 52 percent in 1979 to 57 percent in 1980 resulting in a more profitable product mix.

Oil Products selling prices increased substantially over the past two years, largely reflecting recovery of increased raw material and other costs. Oil Products profits averaged 1.8 cents per gallon of total refined product sales in 1980 vs. 1.3 cents in 1979 and 1.2 cents in 1978.

Oil Products results are dependent on adequate supplies of crude oil from sources outside the United States which have been subject to disruptions in recent years. For this reason, the Company has taken some important steps in an effort to improve the reliability of its crude supply. Domestic crude supplies have been enhanced by the Kernridge production and a crude purchase arrangement has been negotiated in conjunction with the Pecten Arabian Limited/Saudi Arabian Petrochemical Project.

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	1980	1979	1978	1977	1976
Bulk Distributing Plants (leased and owned)	**113**	**120**	**126**	**131**	**153**
Number of Service Stations					
Owned	2,900	2,900	2,700	2,600	2,700
Leased	3,000	3,500	4,000	4,700	5,400
Jobber and other	9,500	10,100	10,300	11,100	11,100
Total	**15,400**	**16,500**	**17,000**	**18,400**	**19,200**
Refined Product Sales *(thousands of barrels daily)*					
Automotive Gasoline	527	534	589	562	535
Jet Fuel	116	139	153	149	145
Kerosene, heating and diesel oils	42	96	114	102	127
Heavy fuel oils	91	89	92	76	71
Propane and other LPG	71	77	73	78	79
Asphalt	23	33	34	34	34
Lube/Grease	10	10	11	11	10
Coke	10	11	9	9	12
All other products	32	34	27	25	18
Total	**922**	**1,023**	**1,102**	**1,046**	**1,031**
Refined Product Sales *(millions of dollars)*					
Automotive Gasoline	$ 7,841	$5,093	$4,058	$3,655	$3,196
Jet Fuel	1,668	1,234	930	847	731
Kerosene, heating and diesel oils	526	814	624	560	623
Heavy fuel oils	680	517	347	307	255
Propane and other LPG	421	312	243	272	236
Asphalt	195	197	163	153	144
Lube/Grease	358	274	248	223	193
Coke	46	33	26	25	28
All other products	391	291	194	147	114
Total	**$12,126**	**$8,765**	**$6,833**	**$6,189**	**$5,520**

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Excerpt from the Annual Report of Shell Oil Company, December 31, 1980

TEXACO, INC.
December 31, 1980

Sales: $52,484,640,000

Earnings: $2,642,542,000

Number of Employees: 66,745

Return on Average Shareholders Equity: 21.1%

Number of Texaco Gasoline Stations in the United States:

12/31/80 - 24,000
12/31/79 - 28,000
12/31/76 - N/A
12/31/71 - 32,000

United States Motor Gasoline Sales as a % of Texaco Worldwide Sales (by Barrels) 19.7%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 2
Refineries - 1
U.S. Gasoline Pumps - 2
Gasoline Station Employees - 1
Coal Mines - None
Corporate Citizenship - 1

Background of Chief Executive: Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 24/100th of 1%

Annual Report: 92 Pages

Amount of Space Devoted to Gasoline Marketing: 1 Page

What the Texaco Annual Report says about Gasoline Marketing:

Are there new projects coming on stream which will help increase Texaco's operational capability and profitability in 1981?

there are a number of major operational developments which will contribute to continued improvement in Texaco's performance. Such as:

- Marketing and distribution efficiencies resulting from planned consolidations;

Page 4 Page 5

At year-end 1980, Texaco:

- Was marketing petroleum products in some 125 countries or territories:

Page 6

Manufacturing and Marketing
Texaco U.S.A. continued to modernize and to realign its downstream facilities in order to reduce costs and to earn an acceptable return on investment.

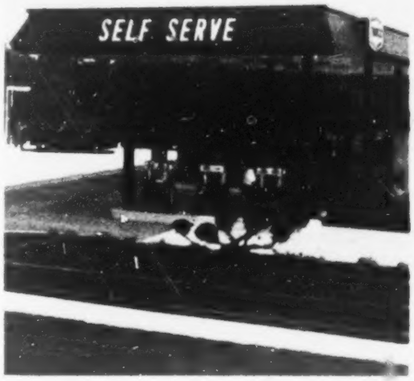
Page 10

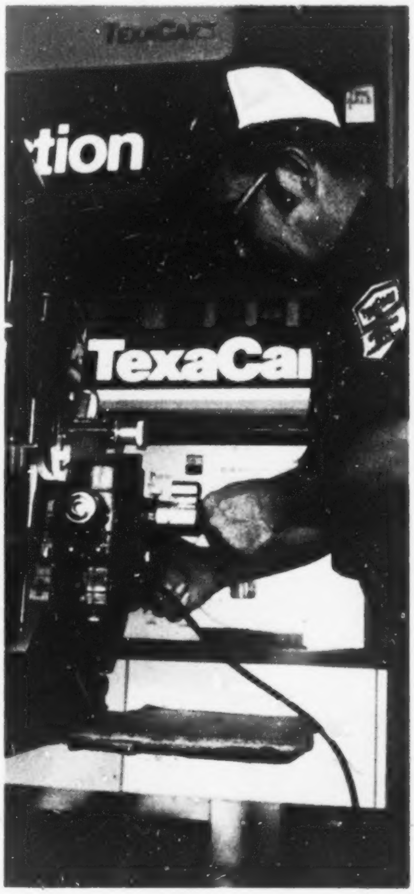
To meet the increased demand for high-octane unleaded gasoline, construction began on a new 40,000-barrel-a-day continuous regeneration reformer at the Port Arthur refinery. Completion is scheduled in 1983.

Texaco continued to realign and to consolidate its marketing distribution in those areas where the Company is fully competitive. In an effort to concentrate on key locations with larger throughput, the division expects to market more efficiently through fewer, but larger-volume, service stations. Certain marketing activities were discontinued in some Midwest and Great Lakes areas where the division could no longer compete on a profitable basis.

A number of additional marketing actions were implemented:

- A new *Super Lead-free Sky Chie* was introduced in certain areas of some states along the Gulf, East, and West Coasts to satisfy customers whose cars require a higher-octane gasoline.
- *Texaco Lead-free Gasohol* was made available at nearly 1,700 Texaco service stations in 22 states in the Northeast, Midwest, and the District of Columbia.





TexaCare Auto Repair Centers are being tested in the Washington, D.C. area and offer specialized auto care to keep cars running longer and at peak performance; first of a series of new, prefabricated service stations stands in Kenner, Louisiana, and includes a convenience store.

Page 11

Excerpt from the Annual Report of Texaco Inc., December 31, 1980

STANDARD OIL COMPANY OF CALIFORNIA (CHEVRON)
December 31, 1980

Sales: $41,553,474,000

Earnings: $2,400,779,000

Number of Employees: 40,200

Return on Average Shareholders Equity: 21.7%

Number of Chevron Gasoline Stations in the United States:

12/31/80 - 13,000
12/31/79 - 14,000 (From 10 K)
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Chevron Worldwide Sales (by Barrels) N/A

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 3
U.S. Gasoline Pumps - None
Gasoline Station Employees - 1
Coal Mines - None
Corporate Citizenship - 2

Background of Chief Executive: .... Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: . 1/10th of 1%

Annual Report: .... 56 Pages

Amount of Space Devoted to Gasoline Marketing: .... 1 Page

What the Standard Oil Annual Report says about Gasoline Marketing:

Marketing The Company continues as a leading gasoline marketer in the Far West and Southeast states and as a major supplier of other petroleum products.

The economic slowdown, increasing conservation and improved car mileage reduced demand for petroleum products in 1980 almost 8 percent from that of 1979. The Company achieved sales of 1,255,000 barrels per day, a decline of only 2 percent.

Prior to 1973, marketing policies and investments were developed in the expectation of continuing strong demand growth for all petroleum products. Current projections envision a modest demand growth in some products and continued decline in others. We are well-launched on a five-year program to modify our gasoline retail network. This includes modernizing existing service stations and constructing new facilities where there are opportunities to serve new or expanding markets. Significant investments will be involved and in 1985 will reach $50 million, more than four times the 1980 expenditure level. Meanwhile, we are phasing out uneconomic stations; 142 stations were closed last year.

Starting last November, we replaced Chevron Supreme with Chevron Supreme Unleaded gasoline in most Western markets. This new gasoline is expected to be introduced in Southeast markets early in 1981. The need for a leaded premium gasoline such as Chevron Supreme is projected to drop to very low levels by 1983 as older cars are replaced.

In other domestic marketing developments:

☐ PRC – our new gasoline additive developed by Chevron Research that provides deposit control benefits and improves the antiknock performance in many unleaded-fueled cars – is now being used nationwide in Chevron unleaded gasolines. Construction of a new $7.4 million PRC additive plant is scheduled for completion in mid-1981 at Oak Point, Louisiana.

☐ Two trial marketing programs of Chevron Unleaded Gasohol were introduced last year in Bellingham, Washington, and Fort Lauderdale, Florida. This fuel is a blend of 90 percent unleaded motor gasoline and 10 percent ethyl-alcohol (ethanol).

☐ Chevron Borate EP Lubricant was named by a national magazine as one of the top 100 innovative products of 1980; it was the only petroleum product selected. Developed by Chevron Research, it is a transmission and axle lubricant that improves mileage in diesel-fueled trucks.

☐ Although several competitors withdrew from the aviation gasoline market last year, Chevron U.S.A. continued to fulfill its supply commitments for this type of fuel to commuter airlines and business and private aircraft.

With the end of price and allocation controls on crude and petroleum products, some consumer and industry groups have expressed concern regarding possible abrupt changes in supply and marketing practices. In this regard, Chevron has developed a reasonable approach to ease the transition, which includes a commitment to supply most non-contracted purchasers for some period following the elimination of allocation controls to allow time to arrange for contracted supply.

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Page 16

Excerpt from the Annual Report of Standard Oil Company of California, December 31, 1980

GULF OIL CORPORATION
December 31, 1980

Sales: $28,790,000,000

Earnings: $1,407,000,000

Number of Employees: 58,900

Return on Average Shareholders Equity: 15.3%

Number of Gulf Gasoline Stations in the United States:

12/31/80 - 16,055
12/31/79 - 17,182
12/31/76 - 19,041
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Gulf Worldwide Sales (by Barrels) 30.7%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 2
Refineries - 3
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 62/100th of 1%

Annual Report: 60 Pages

Amount of Space Devoted to Gasoline Marketing: 1 Page

What the Gulf Annual Report about Gasoline Marketing:

REFINING & MARKETING

Refined product markets in the United States and Europe were clouded by uncertainty during 1980. Rapidly rising crude prices, unpredictable oil supplies and deteriorating consumer demand resulted in widely different performance levels within the industry.

Gulf Refining and Marketing Company found itself disadvantaged from a crude-cost standpoint, particularly during the second half of the year. This stems from its heavy dependence on light, low-sulfur feedstocks, much of which is imported from West Africa. At year-end, the price set by the Nigerian government for its oil was $40 a barrel, or $8 a barrel more than lower quality Middle Eastern crudes available to some other refiners.

Page 12

United States

Operating profits from domestic refining and marketing increased to a record $443 million from $354 million in 1979. The improvement occurred primarily in the first half of the year when market conditions allowed the Company to increase profits despite a decline in sales volumes. In the second half of the year, however, markets softened in response to the recession and consumer resistance to higher prices, preventing Gulf from fully recovering rising crude costs. Although the Company cut gasoline prices twice during the third quarter—and by year-end, prices had recovered only to March levels—they still remained above industry averages.

During the year, sales volumes for refined products declined 19 percent to 737,000 barrels a day. Gasoline and distillate sales were down 21 percent and 15 percent, respectively, from abnormally high 1979 levels, compared with industry declines of 6 percent and 12 percent, respectively.

In April 1980, the Company successfully introduced a premium unleaded gasoline with an octane rating four points higher than Gulfcrest, the Company's regular unleaded brand. The new Gulf Super Unleaded will satisfy the octane requirements of most cars that experience engine knock with regular unleaded gasolines as well as many of the cars that had been using Gulf's premium leaded gasoline, No-Nox, which was discontinued in most markets in the first quarter of the year.

In December, Gulf agreed to sell most of its 242 service stations in California, Arizona and Nevada, as well as the rights to the trademarks "Economy" and "Go-Lo," to a West Coast gasoline retailer. This is in line with a marketing strategy that Gulf has pursued since 1972 of paring its geographic focus to areas of competitive strength. Gulf continues to operate its Santa Fe Springs, California, refinery as a "rack" or wholesale seller of gasoline and other refined products, and also operates several West Coast asphalt plants.

At year-end, Gulf supplied approximately 16,000 retail outlets primarily in a 26-state crescent in the East, South and Southwest, from Maine to Texas. The Company's position is the strongest in the South, where it holds about 11 percent of the gasoline market and 16 percent of the distillate market. In addition, Gulf supplies 295 unbranded jobbers, mainly in 15 midwestern states.

Page 13 Page 14

	1980	1979	1978	1977	1976
Refined products sold *(daily average barrels)*					
United States					
Gasoline	**413,800**	520,700	494,600	479,700	491,000
Distillate	**187,100**	233,300	212,900	230,700	214,900
Residual	**59,600**	76,800	69,600	69,900	77,500
Kerosene	**59,000**	55,000	45,600	42,900	41,100
Lubricating oils	**10,400**	11,700	12,700	12,900	11,000
Other manufactured oils	**7,000**	16,000	21,300	15,200	22,800
Total	**736,900**	913,500	856,700	851,300	858,300
Marketing retail outlets*					
United States					
Dealer operated	**15,135**	16,239	17,100	17,329	17,718
Company operated	**920**	943	973	1,143	1,323
	16,055	17,182	18,073	18,472	19,041
Canada	**2,716**	2,932	3,178	3,759	3,884
Europe	**4,018**	3,960	3,998	4,019	4,055
Other Foreign	**88**	101	102	101	98
Total	**22,877**	24,175	25,351	26,351	27,078

*Excludes equity interest retail outlets.

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Excerpt from the Annual Report of Gulf Oil Corporation, December 31, 1980

MOBIL CORPORATION
December 31, 1980

Sales: $63,726,000,000

Earnings: $2,813,000,000

Number of Employees: 212,800

Return on Average Shareholders Equity: 23.9%

Number of Mobil Gasoline Stations in the United States:

12/31/80 - 17,425
12/31/79 - 17,749
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Mobil Worldwide Sales (by Barrels) . . . N/A

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 2
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: . . . . Accounting

Percentage of Company Stock Owned by Corporate Officers and Directors: . . . . 39/100th of 1%

Annual Report: . . . . 63 Pages

Amount of Space Devoted to Gasoline Marketing: . . . . 1/3 Page

What the Mobil Annual Report says about Gasoline Marketing:

- **Continue to upgrade the value of refinery output, and to maximize the efficiency of marketing and support services such as transportation.**

Page 4

Marketing

In the U.S., Mobil® Super Unleaded gasoline, which has provided motorists with a high-octane unleaded fuel east of the Rockies since 1978, was introduced in the western states during late 1980, replacing Mobil Premium. By offering Mobil® Super Unleaded, with an octane rating of at least 91.0, Mobil has substantially improved the level of anti-knock satisfaction for those drivers whose cars' anti-knock requirements are not satisfied by the auto manufacturers' recommended octane level.

Worldwide Marketing continues to emphasize the synthetic engine lubricants, Mobil 1® and Delvac 1.® These lubricants provide improved gasoline mileage, longer drain intervals, reduced engine wear, and faster starts in most new cars, even in extreme heat or cold.

In Europe as well as in the U.S., Mobil continued to market a lighter, higher-value product barrel than the industry as a whole, an important factor as consumption of diesel fuel and other light products increases relative to the consumption of other products.

There was further consolidation of service stations to improve efficiency. At year end the number of Mobil retail outlets in the U.S. was 17,425, a decrease of 324 from 1979.

Overseas, the number of stations at year end was 19,576, a decline of 510.

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Excerpt from the Annual Report of Mobil Corporation, December 31, 1980

STANDARD OIL COMPANY (INDIANA) (AMOCO)
December 31, 1980

Sales: $27,831,862,000

Earnings: $1,915,314,000

Number of Employees: 56,401

Return on Average Shareholders Equity: 21.6%

Number of Amoco Gasoline Stations in the United States:

12/31/80 - 21,300
12/31/79 - 21,200
12/31/76 - 15,628
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Amoco Worldwide Sales (by Barrels) 43.2%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 1
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 1

Background of Chief Executive: Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 59/100th of 1%

Annual Report: 56 Pages

Amount of Space Devoted to Gasoline Marketing: 1-1/2 Pages

What the Standard Oil (Indiana) Annual Report says about Gasoline Marketing:

About Our Company

Standard Oil Company (Indiana) is engaged in exploring for, producing, and transporting crude oil and natural gas and in manufacturing, transporting, and marketing petroleum and chemical products. It also has interests in minerals and real estate. With assets of $20.2 billion, the company ranks ninth among U.S. industrial concerns and fifth among petroleum companies. Domestically we believe it ranks fifth in crude oil production, with about 4.5 per cent of the nation's total; third in natural gas production, with about 4 per cent; fifth in refinery runs, and third in gasoline market share. It markets about 6 per cent of the petroleum products sold in the United States and ranks among the top 10 U.S. chemical companies in terms of chemical revenues. The company is also active in more than 40 other countries.

Page 1

Marketing, Manufacturing, and Transportation

Competitive forces dominated the marketplace in 1980 as U.S. demand dropped more than 6 per cent for gasoline and about 13 per cent for distillates. Allocations and other federal controls on gasoline continued through year end, but had minor influence due to market conditions. Crude oil costs rose, sometimes retroactively. This factor, and competitive market conditions, prevented us from fully recovering higher costs in our domestic downstream petroleum operations.

United States

(Millions of dollars)	1980	1979
Capital expenditures	**$ 370**	$ 289
Identifiable assets	**4,016**	3,596
Segment revenues	**17,828**	12,496
Net income	**32**	12
Net income as a % of:		
Identifiable assets	**0.8%**	0.3%
Segment revenues	**0.2%**	0.1%

Marketing: Our marketing efforts in 1980 were hurt by limited access to purchases of crude oil and refined products. Supplemental supplies that were obtained could only be purchased at higher prices than were available to some of our competitors. As a result, Standard's selling prices to its dealers and jobbers were higher than those charged by many competitors.

Our gasoline market share recovered steadily during the last half of the year due to more plentiful supplies and an aggressive marketing program.

In June the company began converting gasoline pumps at its stations for metric sales. By year-end 1981, all of our stations will be equipped to sell gasoline by the liter.

We introduced our new Signature Verified Billing (SVB) system nationwide during the year. It represents the first totally new technology in credit card processing in 25 years. The system uses optical scanning to capture credit sales information automatically, and ink-jet printing to produce customers' monthly bills, complete with facsimile signatures for each transaction. SVB is expected to significantly reduce the cost of our credit card system.

We began testing our "Certicare" franchised car-care concept at 71 service stations in Florida and Minnesota in 1980, and plan to extend the tests into other markets in 1981. Certicare dealers guarantee covered auto repairs and services for 90 days or 4,000 miles, and meet other stringent program requirements.

Working with Solarex Corporation, a company in which we hold an interest, we began operating our first solar-powered service station in July. On-site panels of photovoltaic cells provide electrical power for gasoline dispensing and office lighting.

We marketed our Amoco gasohol on a large-scale test basis in Iowa and parts of Illinois, Nebraska, and Wisconsin during the year. The Wisconsin test was discontinued in September due to poor sales.

We introduced the Atlas Amigo all-season steel belted radial tire in most marketing areas. Tires of this type are expected to account for about a third of the replacement market by 1985.

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Excerpt from the Annual Report of Standard Oil Company (Indiana), December 31, 1980

Outlook: Total demand for oil products was down 8 per cent in the U.S. in 1980. We expect 1981 operations to be affected by a continuing decline in product demand, and increasing raw materials costs. In response, we plan marketing emphasis on productivity and customer retention; refining emphasis on converting residual oils and heavy distillates to gasoline and lighter distillates, and a strengthened effort to secure dependable sources of foreign crude oil.

Our primary objectives are to achieve reasonable balance for supply, refining, marketing, and transportation, and to compare favorably with our competition in operating and financial performance.

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	1980	1979	1978	1977	1976
Refining, Marketing, and Transportation Operations					
Refined products sold — trade (thousands of barrels a day)					
United States					
Gasoline	504	559	607	540	530
Heating oils and diesel fuel	261	308	320	297	280
Other products	192	229	232	260	257
Subtotal — United States	957	1,096	1,159	1,097	1,067
Canada	50	53	46	50	32
Overseas	161	167	166	147	146
Total — Worldwide	1,168	1,316	1,371	1,294	1,245

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Excerpt from the Annual Report of Standard Oil Company (Indiana), December 31, 1980

ATLANTIC RICHFIELD COMPANY (ARCO)
December 31, 1980

Sales: $24,156,000,000

Earnings: $1,651,000,000

Number of Employees: 53,400

Return on Average Shareholders Equity: 24.36%

Number of Arco Gasoline Stations in the United States:

12/31/80 - 8,200
12/31/79 - 8,300
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Arco Worldwide Sales (by Barrels) 41.8%

Annual Report Picture Survey:

Pictures of:
Offshore Oil Rigs - 1
Refineries - 1
U.S. Gasoline Pumps - 1
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 1

Background of Chief Executive: Finance

Percentage of Company Stock Owned by Corporate Officers and Directors: 46/100th of 1%

Annual Report: 60 Pages

Amount of Space Devoted to Gasoline Marketing: 1/2 Page

What the Atlantic Richfield Annual Report says about Gasoline Marketing:

Please Pay Inside Store
Candy

Page 16

Marketing
ARCO Unleaded Supreme was introduced to the marketplace during the fall of 1980 to meet the needs of newer cars requiring a higher octane unleaded fuel. The Company continues to market ARCOclear (unleaded regular) and ARCO gasoline (leaded regular).

The am/pm mini-market franchise program, launched early in 1980, expanded by year end to nearly 500 outlets. This marketing concept converts regular service station outlets to attractive convenience food stores with gasoline, resulting in increased efficiency and profitability for these retail operations. During 1980, established am/pm mini-markets averaged over $300,000 in food product sales per outlet.

The am/pm mini-market program will be expanded during the next five years and other innovative marketing ideas will be explored as Atlantic Richfield seeks to maintain its flexibility in dealing with the impact of rapidly changing market conditions.

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Excerpt from the Annual Report of Atlantic Richfield Company, December 31, 1980

SUN COMPANY
December 31, 1980

Sales: $12,945,000,000

Earnings: $723,000,000

Number of Employees: 48,086

Return on Average Shareholders Equity: 16.8%

Number of Sun Gasoline Stations in the United States:

12/31/80 - 9,000
12/31/79 - N/A
12/31/76 - 13,200
12/31/71 - N/A
1,400 of the gasoline outlets are convenience stores

United States Motor Gasoline Sales as a % of Sun Worldwide Sales (by Barrels) . . . 46.8%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 1
Refineries - None
U.S. Gasoline Pumps - 1
Gasoline Station Employees - (with Pump)
Coal Mines - 3
Corporate Citizenship - 5

Background of Chief Executive: . . . . Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 6.05%

Annual Report: . . . . 60 Pages

Amount of Space Devoted to Gasoline Marketing: . . . . 2 Pages

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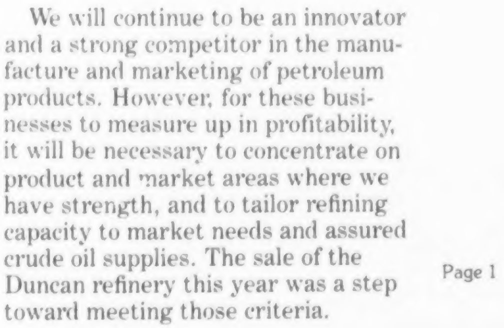
What the Sun Annual Report says about Gasoline Marketing:



We will continue to be an innovator and a strong competitor in the manufacture and marketing of petroleum products. However, for these businesses to measure up in profitability, it will be necessary to concentrate on product and market areas where we have strength, and to tailor refining capacity to market needs and assured crude oil supplies. The sale of the Duncan refinery this year was a step toward meeting those criteria.

Page 1

Excerpt From the Annual Report of Sun Company, December 31, 1980

Marketing Group

• Motorists can make every drop count as Sun introduces four custom blended unleaded gasolines.

• Sale of refinery at Duncan, Oklahoma, brings Sun's capacity more in line with raw material supplies and lower customer demand for fuels.

• Petrochemicals are a key area of growth opportunity in the 1980s.

• Suntech, the company's research and engineering group, works on a synthetic substitute for blood, chemicals from coal, plus coatings, fibers and high energy fuels.

During 1980, Sun Company continued to strengthen its nearly 100-year-old tradition of supplying petroleum products to a wide variety of customers. In response to the twin challenges of higher prices for raw materials and lower sales volume, steps were continued to mold a more compact and profitable marketing operation that will better serve the shifting buying patterns and needs of customers.

These new initiatives in the Marketing Group have been prompted in part by an assessment that these businesses will continue to be very competitive in the future. Accordingly we need to continually move to match capabilities to changing market needs, and to manage in ways more responsive to the needs of each business line. In these ways, Sun will be better able to cope with shrinking demand, under-used capacity, and continued pressure on profit margins that will impact our industry in the future.

Such conditions were encountered in 1980 following a year of instability and tight supply in 1979. The Marketing Group's profit contribution in 1980 was $129 million, which is 38 percent below the $207 million profit contribution in 1979.

Furthermore, the $129 million includes a $66 million one-time after-tax gain from the sale of the Duncan refinery. Without that gain, the decline from 1979 would have been 70 percent.

The Marketing Group includes Sun Petroleum Products Company, Sunmark Industries and Sun International, Inc. All three were very active during 1980.

One major project was the introduction of custom blended unleaded gasoline. Beginning in September, service stations in New England, the Mid-Atlantic and parts of the Midwest began pumping four grades of unleaded gasoline and one grade of leaded. Formerly, Sun sold one unleaded and four leaded gasolines.

The conversion helps consumers in several ways. First, many more cars require unleaded gasoline. More importantly, motorists need not purchase more octane—and spend more money—than their car requires. Sunoco's "economy" grade unleaded —lower in octane and price than its "regular"—can be used by about 65 percent of today's unleaded cars.

Growing Consumer Trend

More and more consumers are saving time and energy by combining trips to purchase gasoline and food. Responding to this trend, Sun Company acquired Zippy Mart, Inc., a chain of convenience food stores. Headquartered in Jacksonville, Florida, Zippy Mart operates 316 outlets in Florida, Georgia, Alabama and South Carolina. With the addition of Zippy Mart to the earlier acquisitions of Fast Fare, Inc., and Stop-N-Go Foods, Inc., the company by year-end had 1,202 convenience stores, 775 of which sell gasoline.

In a related program, the selective divestment of service stations continued in 1980. This program was begun in 1976, and to date more than $200 million has been reclaimed for use in investments yielding a higher return. An additional benefit of this program will be a stronger branded gasoline marketing position, with Sun concentrating modern, efficient service stations in those areas where it can compete most effectively.

In evaluating overall marketing trends, company planners considered three factors which affected refinery operations: the world price of crude oil continued to move upward, a price-conscious, conservation-minded public, plus a warmer than usual 1979-1980 heating season pushed gasoline and fuel oil sales downward for the industry. This trend is expected to continue into the 1980's.

Based on Sun's assessment that it had more refining capacity than is needed now or in the future to meet its customers' needs, the company sold its 48,500-barrel-a-day refinery in Duncan, Oklahoma. The sale, for $140 million in cash, reduced domestic refining capacity by about 9 percent.

In connection with the Duncan sale, the company recognized the needs of employees during the divestment negotiations. Employee expectations regarding job security, opportunity, compensation, benefits and working conditions were considered.

The Duncan divestment was an integral part of an overall strategy to get the company's refining capability more in line with raw material supplies and future market needs.

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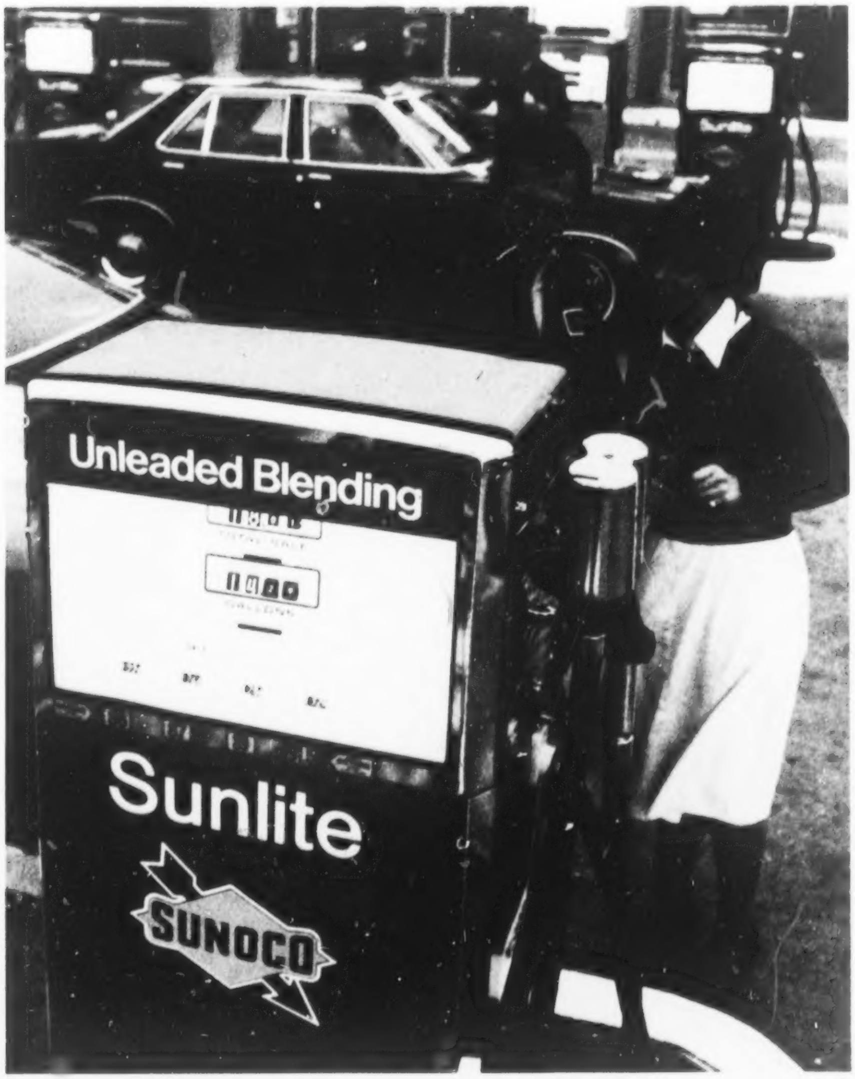

Custom Blending now provides four grades of unleaded gasoline to help customers meet octane needs of new cars and save money.

MARATHON OIL COMPANY
December 31, 1980

Sales: $8.754.198.000

Earnings: $379.016.000

Number of Employees: 15.247

Return on Average Shareholders Equity: 21%

Number of Marathon Gasoline Stations in the United States:

12/31/80 - 2.789
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Marathon Worldwide Sales (by Barrels) 53.7%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 5
Refineries - 4
U.S. Gasoline Pumps - 2
Gasoline Station Employees - 2
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Petroleum Engineer

Percentage of Company Stock Owned by Corporate Officers and Directors: .8/10th of 1%

Annual Report: 52 Pages

Amount of Space Devoted to Gasoline Marketing: 2 Pages

What the Marathon Annual Report says about Gasoline Marketing:

MARATHON
SERVICE CENTER
Marathon
Marathon
M
M

Marathon dealers continue to offer a wide range of services and new products to maintain good customer relations. Early in 1981, Marathon full-service dealers introduced a new premium-grade lead-free gasoline to meet the demand for a higher-octane unleaded fuel.

Marketing

We continue to respond to changing customer preferences. New lead-free premium-grade gasoline is introduced. With decontrol, we remain active in all traditional marketing areas.

Marathon's commitment to supply and support our traditional broad spectrum of wholesale and retail customers was strengthened during the year. The needs and preferences of our diverse customers are continually changing, and we took a number of actions during 1980 to meet their new requirements.

While the total demand for gasoline declined more than 6% nationally, the demand for lead-free gasoline showed a steady increase. Lead-free gasoline accounted for 40% of our total gasoline sales in 1980. This compares to 36% of sales the previous year. Much of our supply of

Excerpt from the Annual Report of Marathon Oil Company, December 31, 1980 unleaded gasoline comes from the new facilities at our Garyville refinery.

As the use of lead-free gasoline has become more widespread, a need for a higher octane fuel has also developed. To meet this demand, Marathon began selling a new, premium-grade lead-free gasoline early in 1981. Studies have indicated that up to 15% of the vehicles designed to use regular lead-free gasoline would have improved performance by using the new 91-octane lead-free gasoline.

With the introduction of this new product, the Company is ceasing the manufacture of premium-grade leaded gasoline. Both leaded and lead-free regular grades of gasoline will continue to be offered.

Marathon branded stations remain an important segment of the Company's operations in our traditional five-state Midwestern retail territory. We continue to provide complete product support and training to these full-service dealers, who cater to the needs of a substantial segment of the motoring public. We also operate self-service stations under secondary brands for customers who prefer this type of outlet. A new trend in retail operations was introduced during 1980 with the opening of several large, self-service fuel centers to serve the needs of over-the-road truckers. Overall, about three-fourths of our gasoline sales are made to independent business persons.

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With the end of federal price and allocation controls, we remain active in gasoline marketing in all areas where we currently operate. Our goal will continue to be to supply our customers with high-quality, competitively priced products at reasonable terms. Where feasible, we are granting increased volumes to those customers who require them. We are entering into supply arrangements with new customers in our marketing area as long as it does not impair our ability to supply existing customers.

Page 26

Large, self-service fuel centers catering to long-distance truck operators were opened along interstate highways.

self serv
self serv
food store
diesel

Excerpt from the Annual Report of Marathon Oil Company, December 31, 1980

CONOCO INC.
December 31, 1980

Sales: $18,766,300,000

Earnings: $1,026,200,000

Number of Employees: 41,500

Return on Average Shareholders Equity: 24.5%

Number of Conoco Gasoline Stations in the United States:

12/31/80 - 5,605
12/31/79 - 5,275
12/31/76 - 6,619
12/31/71 - 8,121

United States Motor Gasoline Sales as a % of Conoco Worldwide Sales (by Barrels) 30.4%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - 3
Corporate Citizenship - 1

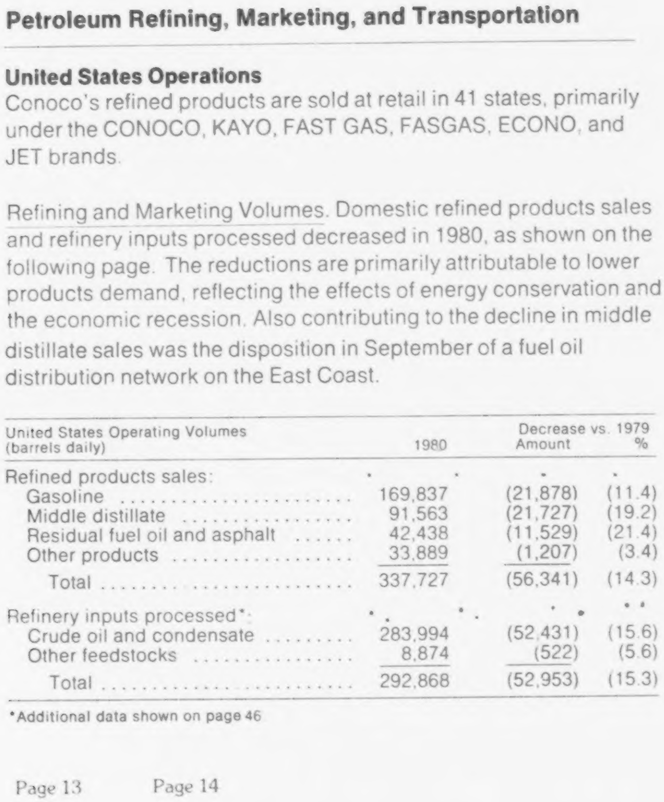
Background of Chief Executive: N/A

Percentage of Company Stock Owned by Corporate Officers and Directors: 29/100th of 1%

Annual Report: 60 Pages

Amount of Space Devoted to Gasoline Marketing: 1/4 Page

What the Conoco Annual Report says about Gasoline Marketing:



Petroleum Refining, Marketing, and Transportation

United States Operations

Conoco's refined products are sold at retail in 41 states, primarily under the CONOCO, KAYO, FAST GAS, FASGAS, ECONO, and JET brands.

Refining and Marketing Volumes. Domestic refined products sales and refinery inputs processed decreased in 1980, as shown on the following page. The reductions are primarily attributable to lower products demand, reflecting the effects of energy conservation and the economic recession. Also contributing to the decline in middle distillate sales was the disposition in September of a fuel oil distribution network on the East Coast.

United States Operating Volumes (barrels daily)	1980	Decrease vs. 1979 Amount	Decrease vs. 1979 %
Refined products sales:			
Gasoline	169,837	(21,878)	(11.4)
Middle distillate	91,563	(21,727)	(19.2)
Residual fuel oil and asphalt	42,438	(11,529)	(21.4)
Other products	33,889	(1,207)	(3.4)
Total	337,727	(56,341)	(14.3)
Refinery inputs processed*:			
Crude oil and condensate	283,994	(52,431)	(15.6)
Other feedstocks	8,874	(522)	(5.6)
Total	292,868	(52,953)	(15.3)

*Additional data shown on page 46

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Excerpt from the Annual Report of Conoco Inc., December 31, 1980

(SOHIO)
STANDARD OIL COMPANY
December 31, 1980

Sales: $11,023,196,000

Earnings: $1,811,224,000

Number of Employees: 22,938

Return on Average Shareholders Equity: 15%

Number of Sohio Gasoline Stations in the United States:

12/31/80 - 2,600
12/31/79 - 2,600
12/31/76 - 3,300
12/31/71 - 3,500

United States Motor Gasoline Sales as a % of Sohio Worldwide Sales (by Barrels) 62.8%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - None
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 1

Background of Chief Executive: Engineering & Finance

Percentage of Company Stock Owned by Corporate Officers and Directors: 46/100th of 1%

British Petroleum owns 52.9% of Sohio

Annual Report: 66 Pages

Amount of Space Devoted to Gasoline Marketing: 1-1/4 Pages

What the Standard Oil (Sohio) Annual Report says about Gasoline Marketing:

In coming years, exploration for oil and gas will assert a dominant role in Sohio's picture. We plan to become a major factor in coal. And synthetic fuels, although longer-range, continue to be of interest to us. We view our downstream processing operations, both refining and chemicals, as a means of further enhancing the value of our raw material base. Therefore, these segments of our operations will continue to be important. Based upon past successes, we are confident we will be able to find ways to maintain the profitability of our petroleum marketing operations in the face of changing markets. Finally, other opportunities that represent a departure from our traditional businesses will, in the near term, be limited primarily to areas complimentary to our natural resource activities.

Page 3

At present, about 60 percent of Sohio's refining capability is dedicated to the production of gasoline. Approximately 45 percent of Sohio's gasoline production is unleaded fuel. The company will be increasing production of unleaded fuel by about 5 percent per year over the next few years. Currently, half of the automobiles in the U.S. require unleaded gasoline and, within the next several years, unleaded fuel will be needed for nearly all of them.

Throughout the 1950s and '60s, U.S. gasoline consumption increased at an average of 5 percent annually. In contrast, after peaking in 1978, gasoline consumption fell 5 percent in 1979, and an additional 6.5-percent decline was recorded in 1980. As the consumption of gasoline continues to decline, Sohio has the flexibility to increase production of diesel and other fuels as their demand grows and will be well positioned to shift production to products that can be useful in meeting the growing requirements of the petrochemical industry.

A part of Sohio's plan to remain an efficient marketer of gasoline in the 1980s was the introduction of a second grade of unleaded fuel. During 1980, Sohio's premium leaded gasoline, Boron, was phased out after more than a quarter-century to make way for Super Cetron, the company's new premium unleaded gasoline. Formulated for the motorist seeking improved performance from unleaded fuel, Super Cetron joins Sohio's family of other refined petroleum products sold under the Sohio, Boron, BP, Scot, and Wm. Penn brands in its various marketing areas.

Gasoline retailing has been undergoing a fairly dramatic change in recent years since the first major oil embargo of 1973. At that time, there were approximately 212,000 gasoline retailers in the U.S., but, as a consequence of rising prices and the conservation which resulted, the number of retailers needed to market gasoline today has declined sharply to about 152,000. Sohio has continued to consolidate its retail effort, achieving greater sales volume per outlet with increased operating efficiency from the company's 2,600 retail outlets. A similar effort has also been evident among the 2,500 independent dealer and jobber outlets supplied by Sohio. The more consistent profitability of gasoline retailers in recent years has been further enhanced by the industry-wide trend toward self-service outlets – an arrangement which saves the customer time and money, permits larger sales volume per outlet, and improves the productivity of station personnel. At the end of 1980, approximately half of Sohio's gasoline was being sold through self-service outlets. The growing acceptance of this type of station justifies Sohio's continuing conversion program.

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As in all areas of Sohio's operations, the company's marketing activities are subject to the legislative environment. Previous annual reports have discussed the specter of "divorcement" legislation which in some states has already prohibited gasoline refiners from operating retail outlets. Such legislation is pending in some of Sohio's major marketing areas. It is difficult to predict the likelihood of adoption of divorcement legislation in Sohio's primary marketing areas. However, the company's excellent record of responsible operation of its stations during periods of shortages indicates that such legislation has the potential for more harm than good for consumers in the areas where Sohio's products are marketed through company-operated outlets. The company continues to support a retailing effort characterized by a healthy mix of stations operated both by Sohio and by independent dealers.

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Excerpt from the Annual Report of Standard Oil Company (Sohio), December 31, 1980

UNION OIL COMPANY
December 31, 1980

Sales: $10,436,900.000

Earnings: $647,000,000

Number of Employees: 17,995

Return on Average Shareholders Equity: 20.1%

Number of Union Gasoline Stations in the United States:

12/31/80 - 12,300
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Union Worldwide Sales (by Barrels) . . . 60%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 2

Background of Chief Executive: Chemical Engineer

Percentage of Company Stock Owned by Corporate Officers and Directors: 62/100th of 1%

Annual Report: 40 Pages

Amount of Space Devoted to Gasoline Marketing: 1/4 Page

What the Union Annual Report says about Gasoline Marketing:

Union 76 Division

The Union 76 Division is responsible for the company's domestic refining, marketing and distribution operations. It obtains raw materials worldwide and markets refined products primarily in the United States. Three refineries are located in California and one each in Illinois and Texas.

The year was marked by higher raw material costs and resulting higher product prices. These had a noticeable effect in reducing the national demand for petroleum products during 1980. Compared to 1979, total demand was down eight percent, gasoline demand down seven percent and distillate fuel oil demand down 13 percent. Union Oil's demand pattern was about the same as the industry's as a whole.

Page 13

We continued to combine and streamline marketing operations and maintain a mix of both full-serve and self-serve stations.

Union's credit card processing center handled over 100 million charge transactions, amounting to nearly $3 billion in credit card sales, during 1980.

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Excerpt from the Annual Report of Union Oil Company, December 31, 1980

ASHLAND OIL, INC.
December 31, 1980

Sales: $8,365,000,000

Earnings: $205,000,000

Number of Employees: 24,600

Return on Average Shareholders Equity: 22.4%

Number of Ashland Gasoline Stations in the United States:

12/31/80 - 2,437
12/31/79 - 2,400
12/31/76 - 2,700
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Ashland Worldwide Sales (by Barrels) 59%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 3
Refineries - 4
U.S. Gasoline Pumps - 1
Gasoline Station Employees - None
Coal Mines - 3
Corporate Citizenship - None

Background of Chief Executive: Lawyer

Percentage of Company Stock Owned by Corporate Officers and Directors: 1.95%

Annual Report: 68 Pages

Amount of Space Devoted to Gasoline Marketing: 1 Page

What the Ashland Annual Report says about Gasoline Marketing:

Ashland Petroleum was a pioneer in combined gasoline and merchandise marketing. This Superamerica outlet in Bloomington, Minn., offers customers all of the products of a neighborhood store in addition to gasoline.

Page 15

Marketing

Product sales averaged 481,000 barrels a day in fiscal 1980. Although most of the gasoline produced at Ashland Petroleum's seven refineries is sold to independent wholesale marketers, the company also serves consumers through company-operated marketing outlets. Included in this group are combination gasoline/merchandise "convenience" stores, operated under the brand names Superamerica and Save Mart. Ashland was a pioneer in the concept of combined gasoline and merchandise marketing.

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Excerpt from the Annual Report of Ashland Oil, Inc., December 31, 1980

Excerpt from the Annual Report of Ashland Oil, Inc., December 31, 1980

PHILLIPS PETROLEUM COMPANY
December 31, 1980

Sales: $13,712,900,000

Earnings: $1,069,600

Number of Employees: 32,400

Return on Average Shareholders Equity: 21.7%

Number of Phillips Gasoline Stations in the United States:

12/31/80 - 12,805
12/31/79 - 13,500
12/31/76 - 17,700
12/31/71 - 24,400

United States Motor Gasoline Sales as a % of Phillips Worldwide Sales (by Barrels) 42.04%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 6
Refineries - 3
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - 3

Background of Chief Executive: Finance

Percentage of Company Stock Owned by Corporate Officers and Directors: 7.8%

Annual Report: 76 Pages

Amount of Space Devoted to Gasoline Marketing: 1/2 Page

What the Phillips Annual Report says about Gasoline Marketing:

Marketing

The sluggish economy and decline in demand for petroleum energy hampered marketing operations throughout 1980. Total sales volumes of both gasoline and distillates were 3 percent lower than in 1979, reflecting the effects of a mild winter, higher prices, a decline in consumers' real purchasing power, better overall auto gasoline mileage and energy conservation. Sales margins were reduced as marketplace competition moderated price increases, while raw materials and operating costs continued to escalate. Despite a short period of price cuts in the third quarter, average wholesale prices at the end of the year were 21 cents a gallon higher for gasoline and 17 cents a gallon higher for distillates as compared with the close of 1979.

During 1980 the company increased distribution of gasohol, a blend of 90 percent unleaded gasoline and 10 percent ethanol, from three to nine terminals in the Midwest and Southeast. The company discontinued marketing leaded premium grade gasoline as the fuel dropped to around 5 percent of total gasoline deliveries. This was down from 36 percent a decade ago.

Phillips continued to work with jobbers and dealers to streamline operations and improve flexibility to meet changing market conditions. Jobbers and dealers market 93 percent of the company's refined petroleum products. During the year, 22 marginal company-operated outlets were eliminated.

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Excerpt from the Annual Report of Phillips Petroleum Company, December 31, 1980

GETTY OIL COMPANY
December 31, 1980

Sales: $10,436,827,000

Earnings: $871,866,000

Number of Employees: 17,318

Return on Average Shareholders Equity: 21%

Number of Getty Gasoline Stations in the United States:

12/31/80 - 5,787
12/31/79 - 6,381
12/31/76 - 7,663
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Getty Worldwide Sales (by Barrels) . . 38.2%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 2
Refineries - 3
U.S. Gasoline Pumps - 2
Gasoline Station Employees - None
Coal Mines - 1
Corporate Citizenship - None

Background of Chief Executive: . . . . Business Administration

Percentage of Company Stock Owned by Corporate Officers and Directors: 50.36%

Annual Report: . . . . 80 Pages

Amount of Space Devoted to Gasoline Marketing: . . . . 2 Pages

What the Getty Annual Report says about Gasoline Marketing:

MARKETING

Rising prices and declining consumer demand characterized the petroleum product marketplace during 1980. Getty Refining and Marketing Company experienced gasoline sales declines in two of the three regions in which it sells motor fuel products. The company's gasoline sales totaled about 2,064 million gallons in 1980. This compares with about 2,049 million gallons, including Mohawk products, sold in 1979. Mohawk became part of Getty's operations on January 23, 1980, as part of the Reserve Oil and Gas merger.

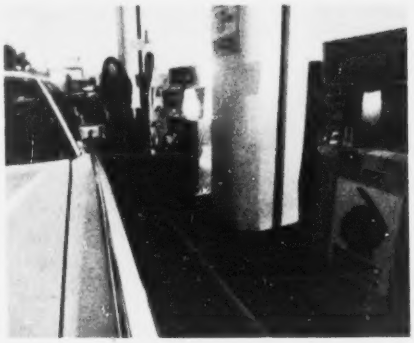
In the 11 northeastern states where gasoline is primarily sold under the Getty brand name, sales amounted to 912 million gallons, compared with 872 million gallons in 1979. The increase was attributed to the fact that less crude oil was processed for others during 1980, allowing the Delaware Refinery to process more crude for the company's own needs. Unleaded gasoline accounted for about 60 percent of the eastern region's 1980 sales, about the same percentage as in 1979.

Gasoline sales in the central region, where Skelly and Surfco products are marketed in 18 states, amounted to 859 million gallons during 1980, compared with 873 million gallons sold in 1979. Sales were lower in 1980 primarily because of reduced demand. Unleaded gasoline accounted for about 34 percent of the 1980 total, compared with about 28 percent of 1979 gasoline sales.

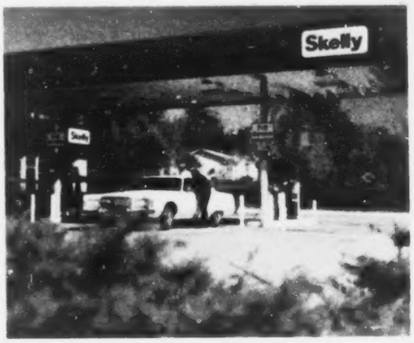
The company's gasoline sales in the western region are conducted in Arizona, California and Nevada. Most gasoline in California is sold under the Mohawk brand name. Mohawk sales during 1980 totaled 214 million gallons, compared with 304 million gallons sold in 1979. The decrease in sales was the result of lower market demand and reduced product availability because of a decision to bring sales more into line with proprietary production from the Bakersfield Refinery. In 1979, additional petroleum products were purchased from others for resale to Mohawk accounts. Unleaded gasoline accounted for about 35 percent of 1980 sales, compared with about 28 percent in 1979.

A total of about 5,300 service stations sold the company's gasoline products in 1980. At year end, about 1,200 of these retail stations were owned or leased by Getty Refining and Marketing. There were 161 company-operated outlets in 1980, compared with 154 stations during 1979. Getty products also were marketed through about 1,400 dealer-owned retail outlets and about 2,700 service stations owned or leased by jobbers or distributors. Getty Refining and Marketing also owned or leased 26 bulk plants and terminals which supplied service stations and consumer accounts with gasoline.

Getty Refining and Marketing announced in November, 1980, its plans to terminate the marketing of gasoline and diesel fuel products in Arkansas, Louisiana, Mississippi, New Mexico and Texas, effective May 31, 1981. The company's share of the market for these products in the five-state area is less than one percent. Since the product for Getty's outlets in the area is acquired by purchase or exchange, the company's market withdrawal should not result in a change in fuel available within the five-state area.



Mohawk service station, North Hollywood, California.



Skelly service station, Kansas City, Missouri.

Gasoline truck transports product from terminal facilities at Delaware Refinery.

CITIES SERVICE COMPANY
December 31, 1980

Sales: $7,786,300,000

Earnings: $477,500,000

Number of Employees: 18,900

Return on Average Shareholders Equity: 19.9%

Number of Cities Service Gasoline Stations in the United States:

12/31/80 - 5,300
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Cities Service Worldwide Sales (by Barrels) . . 54.9%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 1
Refineries - 1
U.S. Gasoline Pumps - 1
Gasoline Station Employees - None
Coal Mines - 1
Corporate Citizenship - None

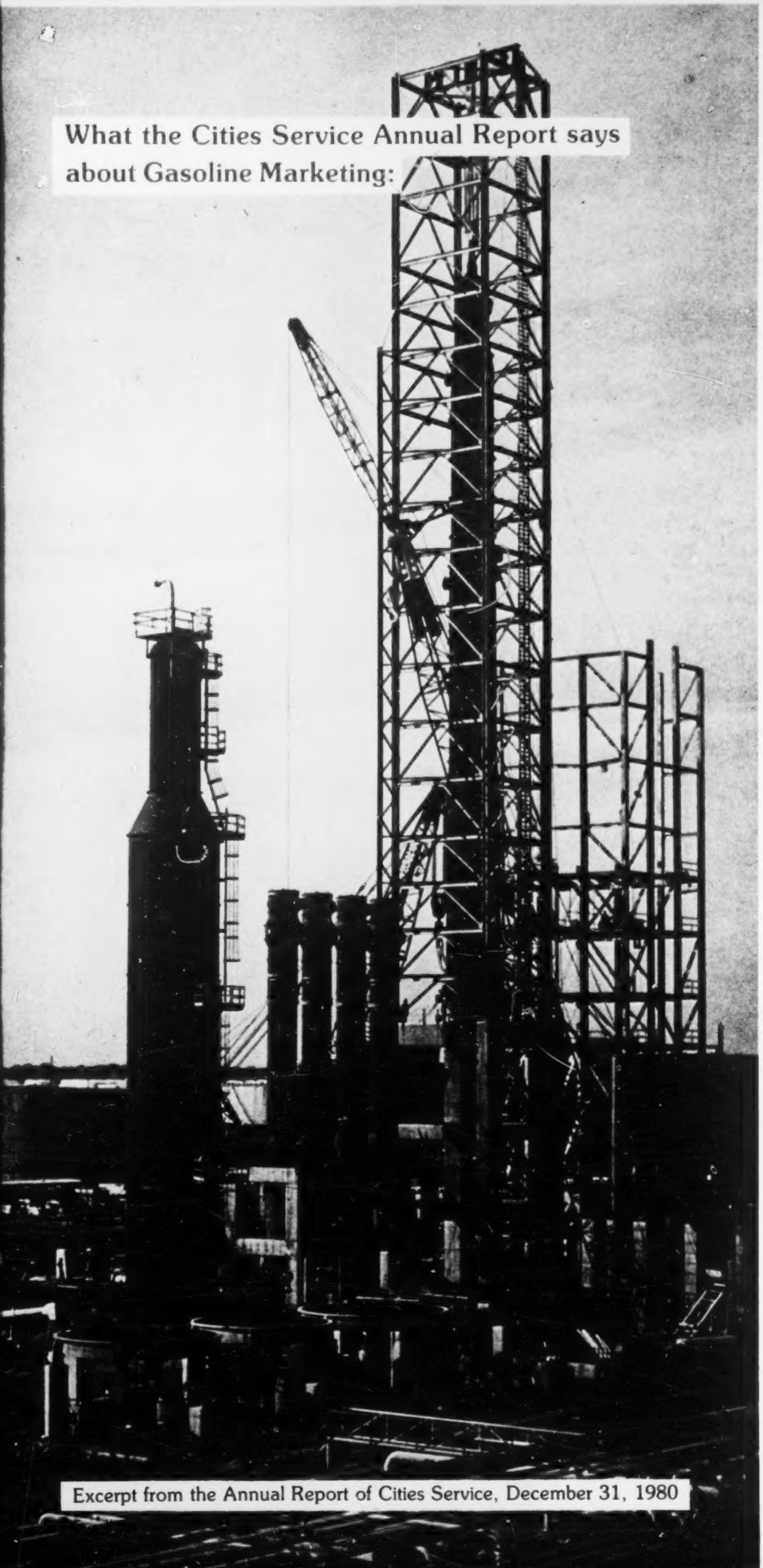
Background of Chief Executive: .... Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: .... 50/100th of 1%

Annual Report: .... 48 Pages

Amount of Space Devoted to Gasoline Marketing: .... 1 Page

What the Cities Service Annual Report says about Gasoline Marketing:



Excerpt from the Annual Report of Cities Service, December 31, 1980

Refining, Marketing and Transportation

The petroleum industry in 1980 was characterized by unstable supply sources, rising crude costs and declining product demand, the latter due to conservation and the economic recession. Domestic oil demand was down 8 percent.

Domestic gasoline demand declined some 6 percent, largely because of the response by consumers to higher prices and the greater proportion of small cars on the road. Distillate demand was affected by higher than usual industry inventories, warmer weather, increased prices and fuel switching to natural gas for home heating. Turbine fuel consumption by the airlines declined, thus keeping sales below the 1979 level.

Marketing Total petroleum sales volumes for Cities Service decreased by more than 7 percent compared to 1979. Specific product declines were about in line with industry trends.

Most of the Company's product sales are handled through a variety of branded and private branded distributors who have the expertise, flexibility, and organization to respond quickly and efficiently to changing consumer demands. These independent businessmen sell CITGO products at about 4,600 outlets in the eastern United States.

Cities Service continues to expand its retail Quik Mart stores in the Sunbelt states. New units were opened in Dallas, Fort Worth, Houston and Nashville, bringing to 330 the number in operation at the end of 1980.

The demand for unleaded gasoline is increasing each year. When this new reformer is completed at Lake Charles, it will be possible to produce all gasoline as an unleaded product, if necessary. A number of projects also are proposed to increase the capability of processing heavier and high-sulfur content crudes that are more readily available and relatively less expensive.

In January 1981, Cities Service resumed marketing in Oklahoma with the purchase of eight stations in Tulsa and Oklahoma City. Additional new Quik Marts are planned for both cities during 1981.

The retail operation had a significant increase in merchandise sales and an expanding gasohol market that accounts for nearly 20 percent of volume where it is sold. Unleaded gasoline increased to about 50 percent of retail sales.

Customer acceptance supports the modern Quik Mart marketing approach, which combines self-service gasoline dispensing with the sale of convenience merchandise.

Self-Serve
Quik Mart

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UNION PACIFIC CORPORATION
(Champlin Petroleum)
December 31, 1980

Sales: . . . . $2,602,252,000 (Champlin)

Earnings: . . . . $191,000,000 (Champlin)

Number of Employees: . . . . N/A

Return on Average Shareholders Equity: . . . . 19 % (Champlin)

Number of Champlin Gasoline Stations in the United States:

12/31/80 - 850
12/31/79 - 900
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Champlin Worldwide Sales (by Barrels) . . . . . N/A%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 1
Refineries - 3
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - 1
Corporate Citizenship - 2

Background of Chief Executive: . . . . Geologist

Percentage of Company Stock Owned by Corporate Officers and Directors: 1%

Annual Report: . . . . 48 Pages

Amount of Space Devoted to Gasoline Marketing: . . . . 1/10 Page

What the Champlin Union Pacific Annual Report says about Gasoline Marketing:

Manufacturing and Marketing

Late in the year, Champlin embarked on the largest single capital program for manufacturing and marketing in the company's history. A $469-million undertaking, the program should improve

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Champlin's total profitability by broadening its capacity to process lower-quality, lower-cost crude oils, which are the most available grades in the world market, into higher-value refined products. The entire refinery program, described below, is targeted for completion by 1983.

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Excerpt from the Annual Report of Union Pacific Corporation (Champlin Petroleum), December 31, 1980

TOSCO CORPORATION
December 31, 1980

Sales: $2,387,241,000

Earnings: $46,096,000

Number of Employees: 3,055

Return on Average Shareholders Equity: 20%

Number of Tosco Gasoline Stations in the United States:

12/31/80 - 46
12/31/79 - 102
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Tosco Worldwide Sales (by Barrels) 65%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - None
Refineries - 11
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Oil Manufacturing

Percentage of Company Stock Owned by Corporate Officers and Directors: 9.1%

Annual Report: 48 Pages

Amount of Space Devoted to Gasoline Marketing: None

THE COASTAL CORPORATION
December 31, 1980

Sales: $5,119,400,000

Earnings: $109,500,000

Number of Employees: 6,942

Return on Average Shareholders Equity: 18.7%

Number of Coastal Gasoline Stations in the United States:

12/31/80 - 550
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Coastal Worldwide Sales (by Barrels) .... N/A

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - None
Refineries - 1
U.S. Gasoline Pumps - 1
Gasoline Station Employees - None
Coal Mines - 3
Corporate Citizenship - None

Background of Chief Executive: .... Mechanical Engineer

Percentage of Company Stock Owned by Corporate Officers and Directors: 7.6%

Annual Report: .... 52 Pages

Amount of Space Devoted to Gasoline Marketing: .... 2/3 Page

What the Coastal Annual Report says about Gasoline Marketing:

Refining and Marketing

Coastal's four refineries, which have a combined operating capacity of 400,000 barrels of crude oil throughput daily, operated well below capacity in 1980 due to lower demand for refined products. High inventories throughout the world caused price weakness in products while crude costs continued to move upward during the year.

The current outlook for 1981 indicates a continuation of the conditions which affected 1980 operations.

Coastal markets refined products and liquefied petroleum gas at wholesale in many areas of the United States and, to a lesser extent, at retail in the Midwest and East Coast. Internationally, the Company markets crude and products primarily in Europe and the Far East.

In conjunction with its refining and marketing operations, Coastal operates an extensive transportation system including tankers, barges, liquids pipelines and tank trucks.

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Approximately 57% of the output of the Derby refinery is gasoline which is marketed mainly through Derby brand retail outlets in the Midwest. During 1980, expansion of catalytic reforming capacity was completed, increasing the plant's production of unleaded gasoline.

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Refined Products Marketing

Sales of refined products from Coastal's domestic refineries totaled 80.4 million barrels in 1980 compared with 87.0 million barrels in 1979. These sales included 30% gasoline, 40% middle distillates such as diesel, jet fuel and home heating oil, and 30% heavy industrial fuels and other products.

In addition to sales of products from Coastal refineries, the Company's marketing activities include sales of products purchased from others, both in the United States and abroad.

The Belcher Companies

The Belcher group of subsidiaries markets oil products from Coastal refineries and products purchased from others in areas extending from Maine to Florida, along the Gulf Coast and in parts of the Midwest.

Sales in 1980 totaled 67.7 million barrels compared with 76.7 million barrels in 1979.

Miami-based Belcher Oil Company has nine major fuel oil terminaling and marketing installations in Florida and one each in Texas, Alabama, Georgia and Arkansas. Total storage capacity is 4.3 million barrels.

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Retail Gasoline Marketing

Derby brand gasoline is sold at retail through 550 service stations in 12 midwestern states, most of which are owned and operated by independent jobbers and dealers.

About one-half of these stations are in Kansas and Missouri.

Derby was a pioneer refiner-marketer of gasohol, the motor fuel blend of gasoline and alcohol. The product is offered for sale in 210 Derby service stations.

Sales of gasoline through Derby's marketing activities exceed the gasoline output of the Derby refinery.

Excerpt from the Annual Report of The Coastal Corporation, December 31, 1980

KERR—McGEE CORPORATION
December 31, 1980

Sales: $3,477,900,000

Earnings: $182,200,000

Number of Employees: 11,286

Return on Average Shareholders Equity: 13.6%

Number of Kerr-McGee Gasoline Stations in the United States:

12/31/80 - 1,452
12/31/79 - 1,513
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Kerr-McGee Worldwide Sales (by Barrels) 40.5%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 6
Refineries - 2
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - 1
Corporate Citizenship - None

Background of Chief Executive: Geologist

Percentage of Company Stock Owned by Corporate Officers and Directors: 3.88%

Annual Report: 60 Pages

Amount of Space Devoted to Gasoline Marketing: 1 Page

What the Kerr-McGee Annual Report says about Gasoline Marketing:

Kerr-McGee Refining Corporation operates three refineries located at Corpus Christi, Texas; Wynnewood, Okla.; and Cotton Valley, La. Refined products produced at these facilities are supplemented by outside purchases and marketed in most states east of the Rocky Mountains. These markets are served by wholesale terminal operations and retail service stations. The company also manufactures and markets a complete line of lubricating oils, greases, and specialty petroleum products.

Kerr-McGee's retail service station operations include 1,452 stations operating under the Kerr-McGee or Deep Rock brand. The company controls 506 of these stations in fee or under long-term lease, while the remaining stations are controlled by independent branded jobbers. The company also operates 103 service stations under various private brand names.

During 1980, Kerr-McGee refineries processed an average of 112,726 barrels of oil per day, 10,495 barrels per day below 1979. Kerr-McGee's crude oil requirements are supplied from the company's own oil operations and domestic and foreign contract purchases, supplemented by limited amounts of spot purchases. The company's crude runs were lower in 1980 due to unavailability of crude oil at prices that would permit profitable processing.

Refined product sales for Kerr-McGee Refining Corporation and its subsidiaries totaled 167,637 barrels per day in 1980, a decline of 13,555 barrels per day from 1979. This volume included sales by Triangle Refineries, Inc., of 69,559 barrels of refined products per day in 1980, 10% below 1979. Triangle, a wholly owned subsidiary, markets gasoline and distillate products through major pipeline and waterway terminals. Royal

Page 13

Petroleum Corporation, another subsidiary, recorded sales in 1980 of 15,477 barrels of refined products per day, 26% below 1979. Royal markets primarily distillate products on the East Coast of the United States.

Earnings from the company's refining and marketing operations decreased in 1980 from 1979's high levels. Profits were down primarily due to an industrywide reduction in demand for both gasoline and distillates.

At the Corpus Christi refinery, construction has been completed on a new 28,000-barrel-per-day fluid catalytic cracker and a Dimersol unit. The new facilities, now on stream, will enable the refinery to convert residual fuel oil stocks to higher valued unleaded gasoline and distillates.

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Refining and Marketing

	1980	*1979*
Refining capacity—crude oil (bbls. per day)	181,000	181,000
Crude oil processed (bbls. per day)	112,726	123,221
Refined products produced (bbls. per day):		
Gasoline	48,868	47,430
Distillate	33,756	39,432
Residual fuel oil	7,684	9,523
Other	23,629	26,985
Total	113,937	123,370
Refined products sales* (bbls. per day):		
Gasoline	67,917	84,562
Distillate	53,807	54,920
Residual fuel oil	9,038	13,360
Other	36,875	28,350
Total	167,637	181,192

Includes commission sales.

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TENNECO CORPORATION
December 31, 1980

Sales:	$13,226,000,000
Earnings:	$726,000,000
Number of Employees:	106,000
Return on Average Shareholders Equity:	18%

Number of Tenneco Gasoline Stations in the United States:

12/31/80 - 480
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Tenneco Worldwide Sales (by Barrels) . N/A

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 2
Refineries - 1
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive:	Business Administration
Percentage of Company Stock Owned by Corporate Officers and Directors:	17/100th of 1%
Annual Report:	60 Pages
Amount of Space Devoted to Gasoline Marketing:	1/3 Page

What the Tenneco Annual Report says about Gasoline Marketing:

In marketing, the company continued its program of closing outmoded retail outlets and constructing new combination gasoline and convenience food stores in certain areas. All retail outlets are company-operated. Sales of gasoline and distillates continued at a high level and also increased for jet fuel and coke, as well as for such aromatic petrochemicals as paraxylene and orthoxylene.

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OUTLOOK

The strategy of Tenneco Oil Company is to increase production, to add new reserves in an amount at least equal to production, and to maintain an efficient processing and marketing operation. These have been difficult goals in view of the industry's inability to achieve a balance between reserve additions and production, and government regulation of processing and marketing.

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Excerpt from the Annual Report of Tenneco, December 31, 1980

CROWN CENTRAL PETROLEUM CORPORATION
December 31, 1980

Sales: $1,273,547,000

Earnings: $19,147,000

Number of Employees: 1,600

Return on Average Shareholders Equity: 9.9%

Number of Crown Central Gasoline Stations in the United States:

12/31/80 - 212
12/31/79 - N/A
12/31/76 - N/A
12/31/71 - N/A

U.S. Motor Gasoline Sales as a % of Crown Central Worldwide Sales (by Barrels) 73.3%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - None
Refineries - None
U.S. Gasoline Pumps - None
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Accounting

Percentage of Company Stock Owned by Corporate Officers and Directors: 52.97%

Annual Report: 32 Pages

Amount of Space Devoted to Gasoline Marketing: 2 Pages

What the Crown Central Annual Report says about Gasoline Marketing:

Marketing

By mid-1980, an ample supply of gasoline returned competition to the marketplace and narrowed margins. Marketing sales were somewhat lower in 1980 than in 1979. This was caused both by a nationwide drop in gasoline consumption, and the Company's decision to reduce refinery runs because of the squeeze of higher crude oil costs and lower product prices. Despite these conditions, the Company established a new high in sales volume through its own multipump service stations, and this was the first year that more than half of Crown's gasoline sales were made through multipump stations.

During the year, Crown completed and opened ten new multipump stations. Also in 1980 the Company improved its Norfolk terminal from fuel oil only to a full product facility. With new truck-loading equipment and new receipt lines from a Colonial Pipeline spur, this terminal will be able to serve more efficiently Crown stations and wholesale customers in that area.

The highlight of Crown's marketing program during the year was the introduction of Lead-Free Xtra in our stations and to our wholesale customers from Richmond through Long Island. This product was favorably received by the public, resulting in an increase of 77% in our sales of a premium grade product. Beginning in January 1981, the Company began converting its southeastern terminals to handle Lead-Free Xtra, and is now marketing that product throughout its entire marketing area.

To meet various environmental requirements, the Company is continuing its conversion program to modify its transport trucks and product terminals to bottom-loading arrangement and install related vapor recovery equipment. Final compliance date is in 1982.

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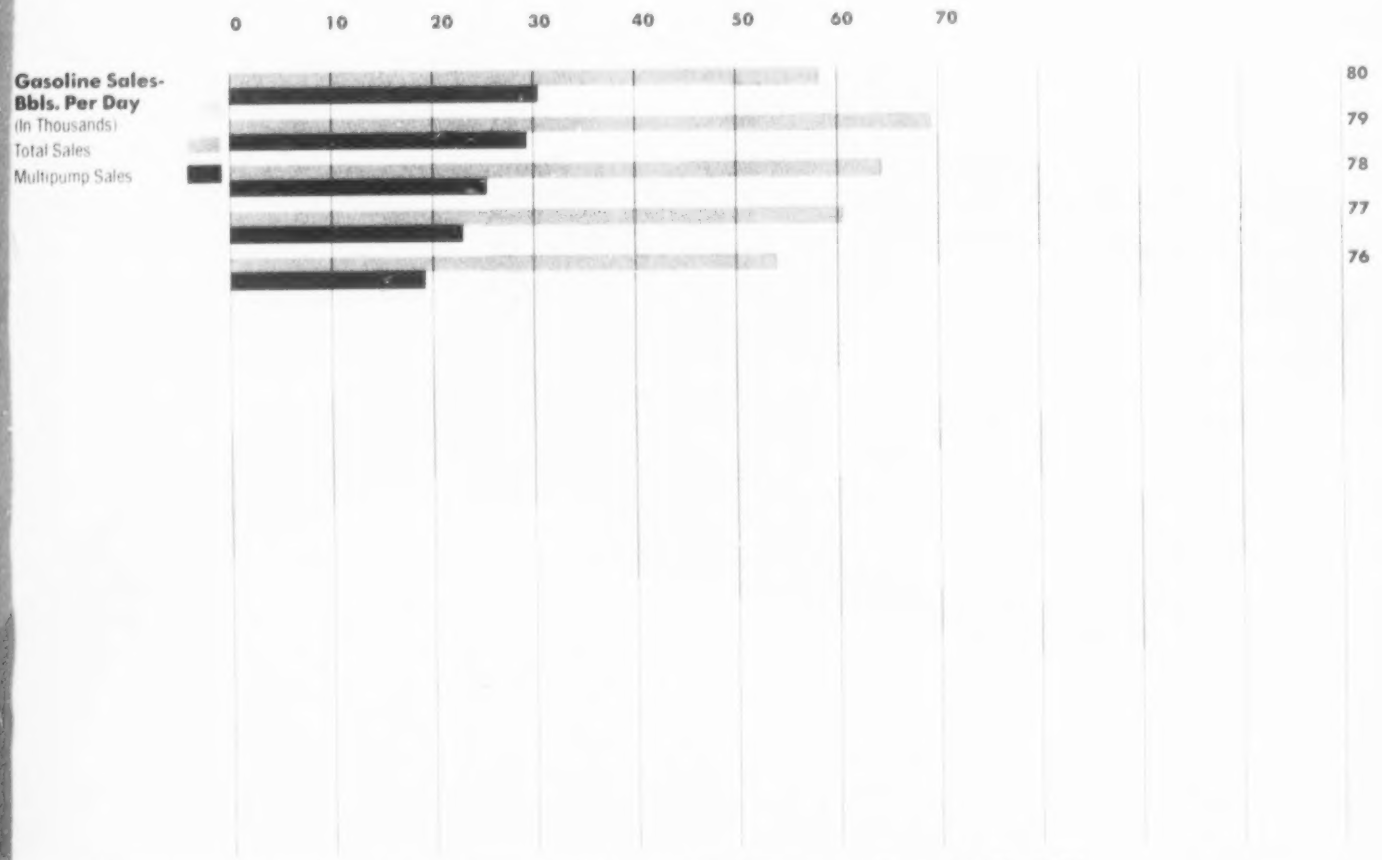

Excerpt from the Annual Report of Crown Central Petroleum Corporation, December 31, 1980

Our retail marketing operation is one of the very best and most efficient in the industry. In other words, we are already quite competitive — and capital expenditures are being made to become more so.

Our longer term goal is to remain a profitable, competitive refiner and marketer, become a more important producer of energy and capitalize on opportunities as they present themselves. In the months ahead, we plan to carefully evaluate our position and proceed in a direction which will be to the overall benefit of our stockholders, customers and employees.

Page 2

Contrary to the general trend in reduced consumption of gasoline, the demand for lead free gasoline has risen, particularly for high octane gasoline. To satisfy this customer need, the Company began production of Lead Free Xtra gasoline in August 1980. Market acceptance has been favorable and the Company anticipates the phase-out of the production and sale of premium leaded gasoline in 1981. The Company had planned for this change in products by construction of a new reformer which was placed in operation in October 1979. The new reformer enables the Company to capitalize on the market growth of various grades of lead free gasoline as well as placing the Company well within the Environmental Protection Agency lead phase-down requirements.

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The Company intends to continue to increase its selling prices to appropriately reflect future cost increases that may result from the decontrol of domestic crude oil prices, the termination of the entitlements program, and contractual increases in foreign crude oil prices. The Company believes these factors will not significantly impact the future funds provided by operations, and, furthermore, is confident that our competitive position in the marketplace will not be significantly altered in the future. However, the volume of products sold by the Company represents a relatively small portion of the total of such products sold in the Company's marketing areas. Many of the Company's competitors are substantially larger than it and, accordingly, the Company's earnings can be affected by the marketing and pricing policies of its competitors.

Because competitive pressures have not permitted the Company to pass-through all of its increased costs through increased selling prices, reduced margins have resulted and net income in 1980 was lower than in 1979 when market conditions were significantly different.

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Excerpt from the Annual Report of Crown Central Petroleum Corporation, December 31, 1980

TESORO PETROLEUM CORPORATION
December 31, 1980

Sales: $3,588,400,000

Earnings: $104,000,000

Number of Employees: 3,500

Return on Average Shareholders Equity: 32%

Number of Tesoro Gasoline Stations in the United States:

12/31/80 - 189
12/31/79 - 184
12/31/76 - 225
12/31/71 - None

U.S. Motor Gasoline Sales as a % of Tesoro Worldwide Sales (by Barrels) 35%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - 2
Refineries - 4
U.S. Gasoline Pumps - 4
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Chemical Engineering

Percentage of Company Stock Owned by Corporate Officers and Directors: 3.40%

Annual Report: 36 Pages

Amount of Space Devoted to Gasoline Marketing: 2 Pages

What the Tesoro Annual Report says about Gasoline Marketing:

REFINING, MARKETING AND TRANSPORTATION

These operations cannot be separated for financial reporting purposes owing to their closely integrated nature. Accordingly, the financial results of Tesoro's refining, marketing and transportation units are shown in the accompanying table as one unit.

Refining, Marketing & Transportation	**Fiscal 1980**	Fiscal 1979
Revenues	**$1,825,364**	1,579,949
Operating Profit	**$ 94,583**	75,070
Assets	**$ 218,634**	182,788
Capital Expenditures	**$ 43,167**	3,993
Operating Profit/Revenues (%)	**5.2**	4.8
Operating Profit/Assets (%)	**43.3**	41.1

Amounts in thousands of dollars.

For the fiscal year ended September 1980, downstream operations achieved record operating profit of $94.6 million, compared to $75.1 million in fiscal 1979 and $38.8 million in 1978, and contributed approximately 49 percent to Tesoro's total operating profit. These results, however, were not spread evenly throughout the fiscal year. The comparative quarterly operating profits were as follows: first quarter, $37.1 million compared to $14.0 million; second quarter, $23.1 million compared to $14.7 million; third quarter, $19.3 million compared to $26.7 million; and fourth quarter, $15.1 million compared to $19.7 million. Thus, after posting sharp gains in the first half of fiscal 1980, which reflected wider refining margins and better utilization of selected crude oil supplies, downstream earnings were adversely impacted in the second half as higher crude oil costs, slackening demand and rising inventories caused a contraction in refiners' margins.

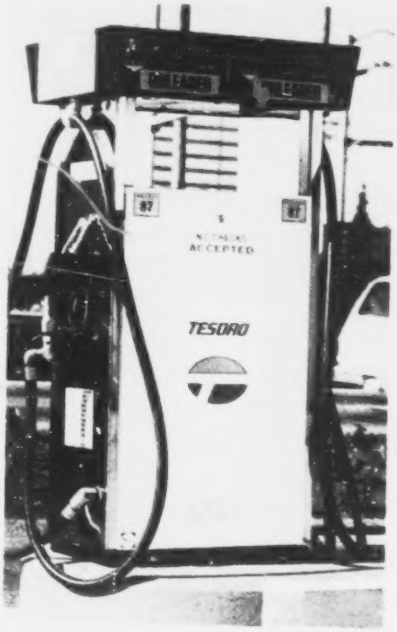
Refined Products Marketing	**Fiscal 1980**	Fiscal 1979
Refined Products Sales (b/d)		
Gasoline	**47,702**	67,098
Jet Fuel	**12,941**	10,816
Other Distillates	**33,401**	39,832
Fuel Oil	**43,828**	37,040
Total	**137,872**	154,786
Number of Retail Outlets		
Tesoro Alaska	**78**	78
Tesoro Gasoline Marketing	**108**	103
Other	**3**	3
Total	**189**	184

Throughput at the Carrizo Springs, Texas refinery, while lower in fiscal 1980 than in the prior year, allowed for the utilization of selected local crude oil supplies and the sale of products in Texas markets, thereby resulting in the optimum profit level under current market and supply conditions. Processing arrangements with other refiners were discontinued in the fiscal year just ended. This permitted Tesoro to take advantage of more favorable economics associated with retaining crude oil supplies in its proprietary refining system.

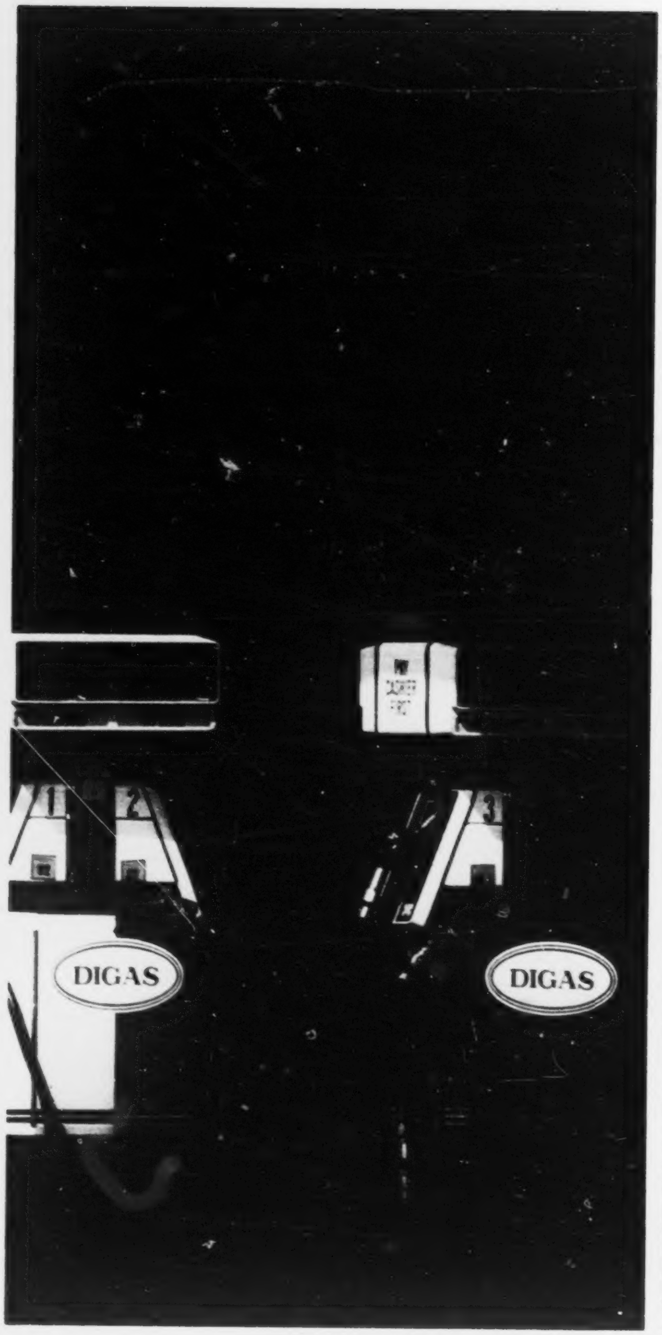
Management took several important steps during the year to expand its products trading capability and to open new marketing opportunities. Specifically, a products trading representative was appointed in Tokyo to pursue the penetration of expanding Far East markets. A heating oil futures trading operation was also established to maximize profit opportunities in domestic trading. Finally, terminaling and throughput services were provided to other companies through Tesoro's leased storage facilities in Houston and Corpus Christi.

Tesoro's primary retailing entity, Tesoro Gasoline Marketing Company, operates 108 high-volume retail gasoline stations, of which 79 are located in California. Most of these stations are located at GEMCO and MEMCO stores owned by Lucky Stores, Inc. During fiscal 1980, six new GEMCO stations were opened, and currently, three other units are under construction. Diesel fuel pumps were added at 17 stations during the past fiscal year and diesel sales currently average about eight percent of total unit sales. Management plans to make diesel fuel available at additional stations in the future to keep pace with the rapidly growing demand for this product at retail service stations.

Recent modifications of motor gasoline pricing regulations give refiners more flexibility in pricing and thus minimize the potential for economic penalties that existed under prior rules. Although regulations applicable to the prices of certain refined products are expected to continue until September 30, 1981 when all controls are scheduled to expire, these controls had minimal effect on the Company's downstream operations in fiscal 1980.



Excerpt From the Annual Report of Tesoro Petroleum, December 31, 1980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2
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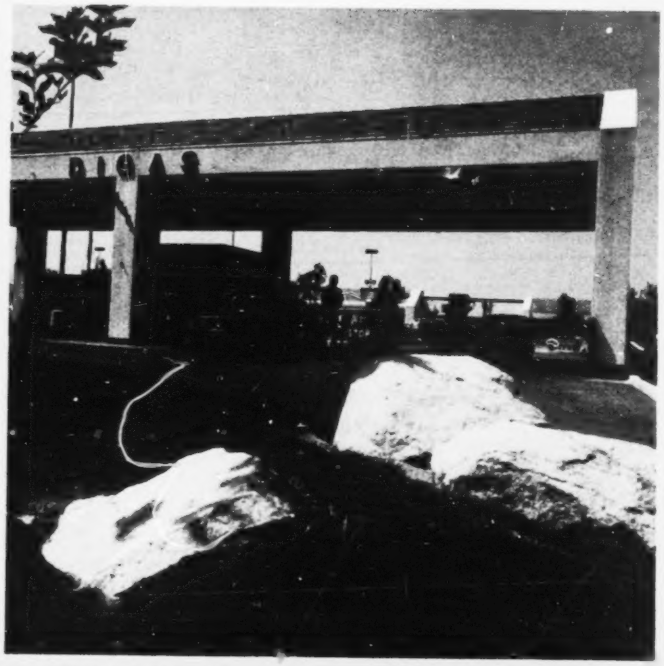

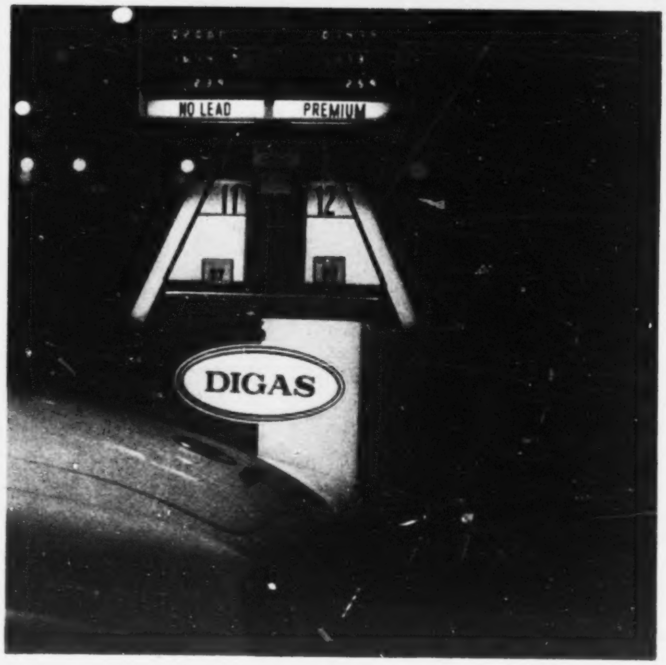
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LEFT: Tesoro Gasoline Marketing Company self-service pumps, Los Angeles, California.
TOP RIGHT: Tesoro's newest gasoline station, Riverside, California.
BOTTOM RIGHT: New self-service computerized pumps, Los Angeles, California.

CLARK OIL AND REFINING CORPORATION

December 31, 1980

Sales: $1,657,635,000

Earnings: $43,920,000

Number of Employees: N/A

Return on Average Shareholders Equity: 20.8%

12/31/80 - 1,512
12/31/79 - 1,812
12/31/76 - N/A
12/31/71 - N/A

United States Motor Gasoline Sales as a % of Clark Worldwide Sales (by Barrels) 73.5%

Annual Report Picture Survey:

Pictures of;
Offshore Oil Rigs - None
Refineries - 2
U.S. Gasoline Pumps - 6
Gasoline Station Employees - None
Coal Mines - None
Corporate Citizenship - None

Background of Chief Executive: Economics

Percentage of Company Stock Owned by Corporate Officers and Directors: N/A

Annual Report: 40 Pages

Amount of Space Devoted to Gasoline Marketing: 6 Pages

What the Clark Annual Report says about Gasoline Marketing:

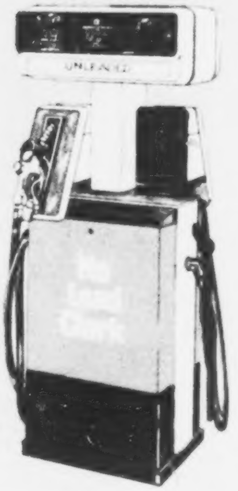
CLARK®

About The Company

Opening Page

Excerpt from the Annual Report of Clark Oil & Refining Corporation, December 31, 1980

Clark was one of the first to use front-delivery gasoline pumps, so the new style is known as the "Clark pump" throughout the industry. Easier for self-service customers, the new pump is being installed at the rate of 500 per year in our stations.



Page 1

Retail Restructuring Update—At year end 1980 our retail operating cost per gallon had been reduced by 8.5% versus 1979 as a result of Clark's retail market restructuring which is on target for a mid-Eighties completion. Started in late 1979, the restructuring of the 13 state station network is a key to increasing profitability and when completed is expected to reduce operating costs substantially.

Last year, the number of marketing districts was reduced through consolidation from 23 to 15, low-profit stations were closed and 109 units were converted to self-service. As a result, at year-end Clark company stations totaled 1,129 versus 1,303 in 1979 and 56% were self-serve compared with 39% the year before. In addition, the first five high-volume superpumpers were completed and exceeded volume projections in the early months of operation.

Wholesale and Product Distribution—A complete restructuring of this activity has been implemented, resulting in improved terminal operations, new sources of revenue from terminalling for others and an expansion of traditional wholesale marketing activities.

Page 4

Excerpt from the Annual Report of Clark Oil & Refining Corporation, December 31, 1980

Expansion programs completed or begun in 1980 further strengthen Clark's refining capabilities and position the Company to meet America's changing energy needs. A 70% gasoline yield contributes to profitability and the ability to make 90% of all gasoline in the unleaded form provides the flexibility to meet future demand for that product.

Expansion and Technology

Clark refining facilities have the technology and equipment in place to produce more gasoline per barrel of crude than the average refinery and to produce a higher proportion of unleaded gasoline. Both capabilities contribute to refining profitability and provide the flexibility needed to meet America's changing energy needs.

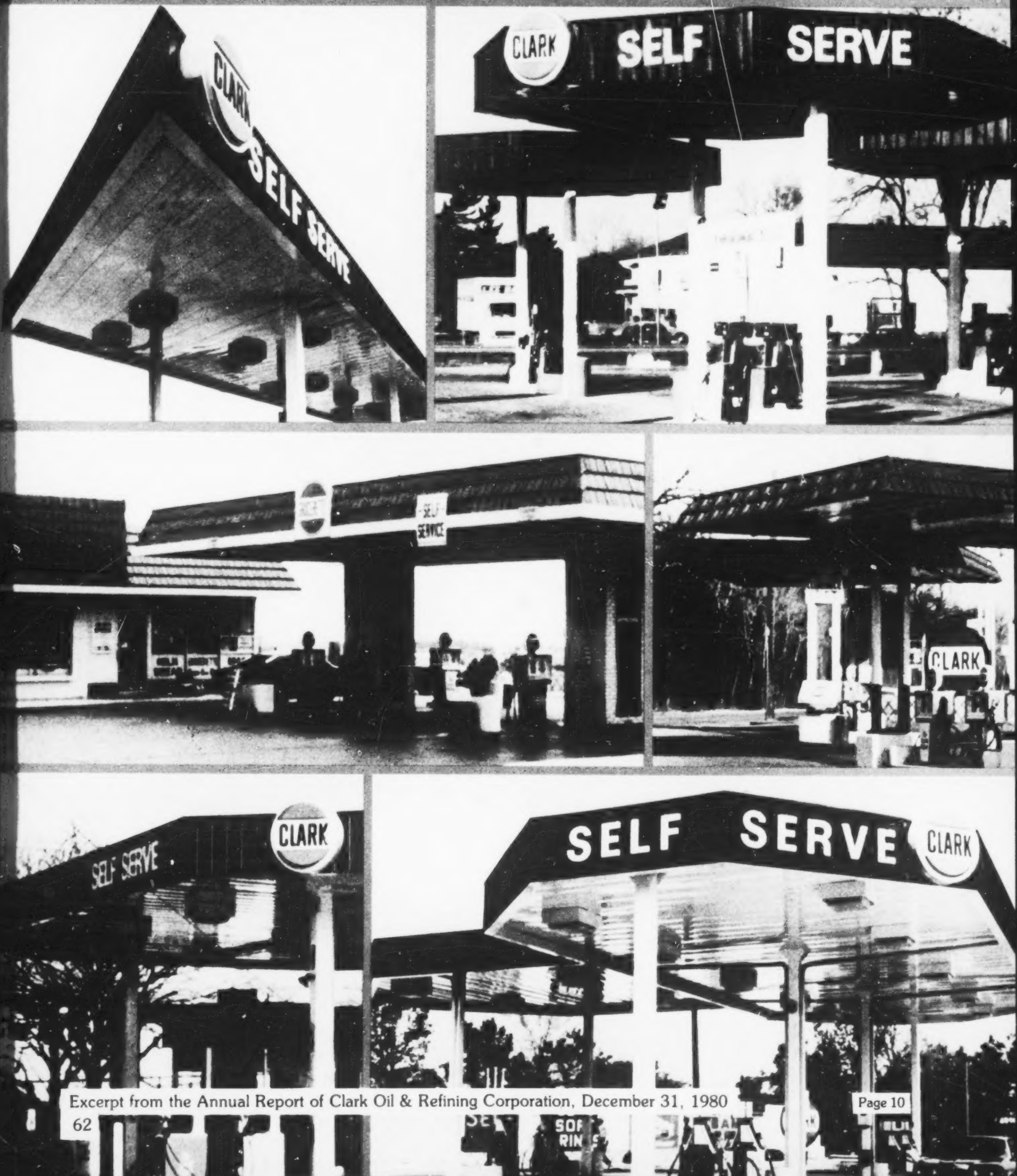
Because gasoline is the most profitable product in a barrel of crude, Clark's 70% gasoline yield directly affects profitability. Achieving this higher yield is possible because *both* refineries have significantly more downstream processing capability per barrel of crude oil capacity than the average refinery in the U.S.

In addition, Clark is positioned now to meet increased future demand for unleaded gasoline with our two refineries able to make 90% of all gasoline in the unleaded form.

Page 7

Excerpt from the Annual Report of Clark Oil & Refining Corporation, December 31, 1980

Retail Marketing


CLARK
SELF SERVE
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CLARK

The restructuring of Clark's retail marketing network continued during 1980. Early results confirm that completion will have a significant effect on corporate profitability. For example, 56% of all Company operated stations were self-serve at year-end, versus 39% last year, and operating cost per gallon declined substantially.

Restructuring Plan

Progress made on the restructuring of Clark's retail marketing network began to have a substantial effect on Clark's 1980 results. Despite a decline in gasoline demand in the United States, Clark's 1980 retail gasoline volume increased by 11% to 1.2 billion gallons.

The first step in the reorganization was a consolidation of marketing districts from 23 to 15, in conjunction with the closing of low-profit stations throughout the entire network. Completed in the Spring of last year, this consolidation also included the elimination of some supervisory sales positions and has resulted in streamlined communications and cost reductions.

A profitability evaluation of each company station, which was implemented late in 1979, is being followed by one of several action strategies aimed at increased profitability through reduction in station operating costs. As each market area is reorganized, the strategies are being utilized in varying combinations, depending on the problems and opportunities in each of the 15 districts. These strategies include:

Closing of stations with little or no profit potential
Conversion to self-service
Erection of superpumpers
Conversion to a grocerette format

During 1980, three key markets were restructured, using the above principles. In these territories, a number of stations with no profit potential were closed, 28 units remodeled and upgraded to self-service and five superpumpers built. In addition, new self-service equipment was installed in all market areas of the Company and four stations in various areas were converted to "grocerettes."

At year-end, 56% of all Company operated stations were self-serve, compared with 39% in 1979. In addition to the operating cost reduction that resulted from the restructuring, the completed territories sold an average of 35% more gallons than the Company average.

Following are details on the three reorganized markets:

Dayton, Ohio – Restructuring was completed in May and included the closing of six stations, the remodeling of eleven units and the opening of Clark's first superpumper. As a result, per station gallonage has risen by more than 45% and operating cost per gallon has been reduced 50%. The superpumper continues to exceed projections.

Toledo, Ohio – Reorganization of this metropolitan area was completed in November 1980 and included three superpumpers, eleven conversions to self-service and four closings. Preliminary results indicate similar volume increases and cost reductions as in the Dayton, Ohio market.

Ft. Wayne, Ind. – Also completed in November, the Ft. Wayne metropolitan area restructuring consisted of one superpumper, seven conversions to self-service units and the closing of two units. Early results show notable volume increases and expense reductions.

Conversion of 4 existing stations to gas/food units called grocerettes proceeded as planned. These full-size convenience food stores have proven to be highly profitable in selected rural and suburban markets and the format will be further expanded from the

ON THE LEFT: Remodeling and conversion to self-service is a key strategy in the retail network restructuring, depicted by the varied canopy styles covering pump islands at recent conversions.

Retail Marketing

current total of 34 units. Offering self-service gasoline, 18-24 hour service, and 1,500 staple food items, these units experienced pretax profit improvements of 22% during 1980.

Expenditures for the restructuring were $9 million in 1980 and an additional $15 million is budgeted for 1981. The projected return on investment is expected to exceed 20% on a discounted cash flow basis.

Early results from areas where the plan has been implemented confirms that when the restructuring is completed throughout the entire marketing network the effect on corporate profitability will be substantial.

Events of the Year

Other forward looking activities took place in the retail marketing operation during the year. In June, 271 Clark stations in Michigan converted to the sale of gasoline by liters, rather than gallons, in response to a new state law prohibiting the pricing of gasoline by half gallons. The conversion went smoothly and further expansion of the system is feasible as warranted.

In addition, Clark test marketed gasohol at seven Clark and Owens brand stations in Illinois. The experiment indicated that there is not substantial consumer interest in gasohol as a fuel alternative.

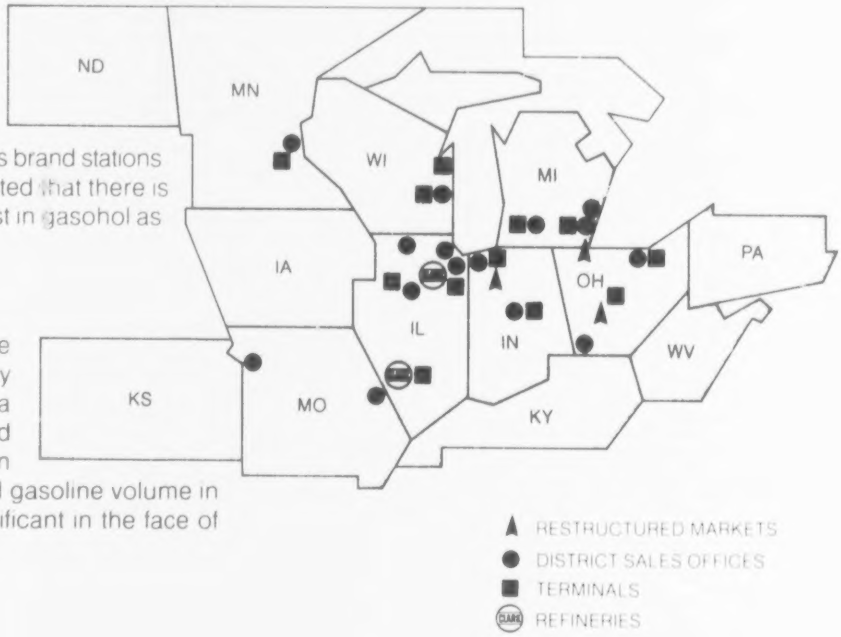
Future Outlook

There is no question that the "energy crisis" has become a very real concern for Americans. As a result, declining gasoline demand is expected to continue, at least in the near term. Clark's increased gasoline volume in 1980 becomes particularly significant in the face of this downward trend.

Retail price levels are expected to continue upward during 1981, based on the expectation that crude costs will continue to increase.

Despite the obvious uncertainties, Clark is optimistic about the future outlook for its retail marketing operations. The restructuring will play a key role in future performance and will provide the foundation for the growth ahead.

Accordingly, during 1981 the primary goal is to reduce retail operating costs per gallon by an additional 2¢. Strategies to accomplish that goal include the conversion to self-service of over 200 additional stations, erecting 10 to 15 more superpumpers, building 10 new grocerettes, 4 mini-marts in Chicago, and a complete remodeling of 70 stations. Capital expenditures for implementation of these plans in 1981 are projected to be $15 million.



Station Divestiture and Divorcement

Proposed legislation that would prohibit refiners like Clark from selling their gasoline through retail service stations was stalled in Congress during 1980, reflecting strong opposition to such action. The efforts for service station divestiture and divorcement are supported by many independent service station dealers who fear competition at the retail level. The Department of Energy's Office of Competition has recently published results of a study, required by law, on competition in the retail gasoline market. The study concludes that no subsidization by refiners, nor predatory pricing practices by refiners and independent suppliers of gasoline, could be found. It recommended against enactment of divorcement legislation.

Clark will continue to oppose such legislation, in cooperation with other independent and major refiners, because we believe that all refiners have the right, and must have the flexibility to sell products anywhere within the downstream distribution chain, in a fair and competitive manner.

Page 16

Marketing

The Company markets its gasoline, diesel fuel, home heating oil, and motor oil in a 13 state Midwestern area. The products are sold under the brand names, Clark and Owens.

Under a planned restructuring effort, the Company reduced its marketing districts from 23 to 15, and closed 300 of its least profitable retail service stations in 1980. Approximately 56% of all retail outlets are now self service, with a goal of over 200 more stations to be converted to this type of operation in 1981. Clark owns and operates approximately 1,200 stations with an additional 300 leased dealers. Station location is well diversified among urban, suburban and rural areas.

Page 23

Business and Properties

The marketing management structure has been designed to give a clear, clean line of communication regarding what takes place directly to top marketing management. The senior vice president-retail marketing has responsibility for the entire marketing effort, supported by a vice president-retail marketing. The Company's marketing area is divided into three regions, each of which encompasses five sales districts. Each district sales manager, responsible for his particular sales district, reports to the appropriate regional sales manager. The clean line of information flow facilitates rapid response to changing market conditions.

The gasoline buyer of today is looking for availability, convenience and competitive pricing. Clark's strategy revolves around the marketing concept of meeting consumer needs. Part of any management policy concerns the effective control of operating costs. An integral part of the restructuring effort has been the conversion of stations to a "self serve" basis, significantly lowering labor and operating costs. At year end, self serve outlets comprised 56% of all Company operated stations, up from 39% in 1979. The reduction in stations' costs by 8.5% is partly a result of these efforts. Availability and convenience are enhanced by Clark's concept of the superpumper, an easy access, 16 to 24 hose self serve station, which is under full canopy for customer comfort.

The Company's marketing management process is aimed at meeting perceived customer needs through a concentrated review and update of what is happening at the consumer level. The territory sales managers are out in the field every day, receiving first hand information on the "firing line". Regional sales managers also make it a point to travel in their regions weekly to develop ideas and formulate strategy to improve market share. This close touch with station operations has paid off as Clark's retail volume was up last year, despite a general decline in industry sales. Customers like clean, attractive stations, with courteous employees, which is a constant goal of field management.

Part of the marketing approach to convenience revolves around the sale of food and other non-petroleum products through the Company's retail outlets. The goal in this area is toward a concentration of specific items, which can be easily controlled, all with high profit margins.

Page 24

Excerpt from the Annual Report of Clark Oil & Refining Corporation, December 31, 1980

A Summary of Informatio

“What do the 25 largest Oil Companies have

Company	# of Stations	Background of Chief Executive Officer	Accountants
1. Exxon	22,886	Chem. Engineering	Price Waterhouse
2. Shell	15,400	Geologist	Price Waterhouse
3. Texaco	24,000	Chem. Engineering	Arthur Anderson
4. Chevron	13,000	Chem. Engineering	Price Waterhouse
5. Gulf	16,055	Chem. Engineering	Coopers & Lybrand
6. Mobil	17,425	Accounting	Arthur Young & Co.
7. Standard of Indiana	21,300	Chem. Engineering	Price Waterhouse
8. Atlantic Richfield	8,200	Finance	Coopers & Lybrand
9. Sun Company	9,000	Chem. Engineering	Coopers & Lybrand
10. Marathon	2,789	Petroleum Engineering	Ernst & Whinney
11. Conoco	5,605	N/A	Arthur Young & Co.
12. Standard Oil Company (Sohio)	2,600	Engineering & Finance	Ernst & Whinney
13. Union Oil	12,300	Chem. Engineering	Coopers & Lybrand
14. Ashland Oil	2,437	Lawyer	Ernst & Whinney
15. Phillips	12,805	Finance	Arthur Young & Co.
16. Getty	5,787	Business Administration	Arthur Anderson
17. Cities Service	5,300	Engineering	Arthur Young & Co.
18. Champlin	850	Geologist	Deloitte Haskins & Sells
19. Tosco	46	Oil Manufacturing Chemical Engineering	Coopers & Lybrand
20. Coastal Corporation	550	Mechanical Engineering	Touche Ross & Co.
21. Kerr-McGee	1,452	Geologist	Arthur Anderson & Co.
22. Tenneco	480	Business Administration	Arthur Anderson & Co.
23. Crown Central	212	Accounting	Ernst & Whinney
24. Tesoro	189	Chem. Engineer	Touche Ross & Co.
25. Clark Oil	1,512	Economics	Ernst & Whinney
Totals	202,180		
Averages			

on the Companies in:
o say about Gasoline Marketing in 1981?"

# Pages in Annual Report	Pages Devoted To Gasoline Marketing	Percentage of Company Stock Owned by Officers & Directors	Average Return on Shareholders Equity in 1980
52	1/4	1/10th of 1%	22.2%
60	3	27/100th of 1%	22.0%
92	1	24/100th of 1%	21.1%
56	1	1/10th of 1%	21.7%
60	1	62/100th of 1%	15.3%
63	1/3	39/100th of 1%	23.9%
56	1-1/2	59/100th of 1%	21.6%
60	1/2	46/100th of 1%	24.4%
60	2	6.05%	16.8%
52	2	8/10 of 1%	21.0%
60	1/4	29/100th of 1%	24.5%
66	1-1/4	46/100th of 1%	15.0%
40	1/4	62/100th of 1%	20.1%
68	1	1.95%	22.4%
76	1/2	7.8%	21.7%
80	2	50.36%	21.0%
48	1	50/100th of 1%	19.9%
48	1/10	1%	19.0%
48	None	9.1%	20.0%
52	2/3	7.6%	18.7%
60	1	3.88%	13.6%
60	1/3	17/100th of 1%	18.0%
32	2	52.97%	9.9%
36	2	3.40%	32.0%
40	6	N/A	20.8%
1,425	31		
57	1-1/4 pages		

WHAT THE COMPANIES SAY: Their Own Statements

This section includes the letters that we sent to each company, and their replies. Their responses are reproduced exactly as we received them, except in the cases in which we were expected to extract information from another publication. In that case, we extracted all of the applicable material on gasoline marketing.

Responses were received from:

Exxon
Shell
Chevron
Arco
Sun
Marathon
Phillips
Ashland
Champlin
Tosco
Clark

Dollars Per Day Survey
391 Castle Crest Road • Walnut Creek, California 94595

July 14, 1981

Mr. R. C. Kiddoo
Marketing V. P.
Exxon Co., USA
Box 2180
Houston, Texas 77001

Dear Mr. Kiddoo:

We are writing a report entitled "What Do the Top 25 Oil Companies Say About Gasoline Marketing?". The report will feature material on gasoline marketing from the annual reports of the 25 largest oil refiners in the United States. Since the Exxon Co., USA Annual Report has little to say about gasoline marketing, we'd like to include a statement from the Exxon Co., USA Marketing Department that will give a better description of Exxon Co., USA's marketing history, strategy, structure, and goals.

Your submission should be not more than two pages in length. We agree to reproduce your material exactly as submitted without any changes. We need to receive your material by August 15, 1981, because our deadline at the printer is September 1.

If you are unable to give us any information, we'd appreciate notification. If you are not the person to contact, please tell us whom we should contact.

We also publish the Dollars Per Day Survey of the Small Food Store Industry. Enclosed is a copy of the 10th Annual Survey, which was released in January 1981. Our report on gasoline marketing will also be an annual report and will be marketed in the same manner as the Dollars Per Day Survey.

We are writing the 25 largest refining companies and will include material from each of these companies in the report. We'll send you a copy of the completed report upon publication.

Yours very truly,

John F. Roscoe

JFR:de

Enclosure

GASOLINE MARKETING SURVEY
P.O. Box 886
Benicia, Ca. 94510
(707) 745-6691

August 10, 1981

Mr. E. W. Gunnels
V. P. Marketing
Texaco, U.S.A.
1111 Rusk Avenue
Houston, Texas 77002

Dear Mr. Gunnels:

Just a note to remind you about the Gasoline Marketing Survey deadline. Note the enclosed copy of my letter of July 14th. We'd sure like to include some additional marketing information on your company.

Very truly yours,

John F. Roscoe

JFR:de

Enclosure

EXXON COMPANY, U.S.A.
POST OFFICE BOX 2180 · HOUSTON, TEXAS 77001

MARKETING DEPARTMENT
R.C. KIDDOO
VICE PRESIDENT

August 7, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear Mr. Roscoe:

In response to your July 14 letter, we have enclosed information that should be helpful in providing you some insight into Exxon USA's objectives and plans in the area of gasoline marketing.

On pages 26 and 27 of the attached Marketing Exchange #1, 1981 you will find a summary of management remarks concerning marketing in the 80's that were made to our 1980 Dealer Advisory Council. Also, we have enclosed the most recent Pocket Data book, which provides information about Exxon and the energy industry. By reviewing these publications and our annual report, which you already have, we believe you will be able to provide your readers with a reasonably good overview of what Exxon has to say about gasoline marketing in the 80's.

We will appreciate a copy of your survey when it is issued.

Very truly yours,

RCK:rn
Enclosures

Changes and uncertainties seen in the Eighties as Dealer Advisory Council meets with EUSA management to review programs to help dealers improve business operations

Continued conditions of change and market uncertainty are forecast for the '80s. That was the message received by the national Dealer Advisory Council at its 16th annual meeting with Exxon USA marketing management held in Houston late last year.

Reflecting their concern for the future challenges to their business, 17 council members, representing Exxon dealers across the nation, took a close look at Exxon programs and then presented an agenda of major topics of importance to dealers. It was with thoughtful discussion that they offered their opinions and recommendations on key issues for Exxon's consideration in developing future plans and activities. Responding to the invitation from John Adkins, EUSA's Retail Services Manager, the dealers were reported to have made their points in a straight-forward, candid manner, based on their experience and first-hand knowledge of marketplace conditions.

In a special informal session, the council received a closer insight into Exxon USA's objectives and plans from Marketing Vice President Ed Hess, Retail Business Manager Bob Pierpont, and Mr. Adkins.

Council representatives and Exxon Marketing management were reported to have spoken frankly, and both groups emerged with a closer feeling of awareness of the other's position. It proved to be a successful 2-way communication, with plans made to keep the lines open during the year ahead.

A summary of the outlook for the '80s, as Exxon USA sees it, is reviewed here together with a digest of some of the specific issues covered during the 3-day meeting.

THE U.S. ENERGY OUTLOOK was discussed by Karl Fink, Coordination and Planning Manager,* who told the 1980 Dealer Advisory Council that "A critical element in the service station business environment is the likelihood of future reductions in total gasoline availability." He said that Exxon expects to face supply restrictions in the early 1980s, as producing nations sell more oil to developing countries and retain more for their own use. Further, Exxon foresees a declining gasoline market as a result of more fuel-efficient cars and continued conservation efforts by the motoring public.

Mr. Fink also discussed the oil industry energy outlook with near and long term supplies.

Mr. Pierpont discussed current trends in the service station and automotive service industries and portrayed the changes ahead, both short and long range. For the near term, he cited:

- Smaller, more fuel-efficient cars will result in reduced gasoline demand, even though car population and total miles driven will increase. However, he said, smaller fuel tanks mean customer visits to service stations will not decline. As a result, dealers will have as many opportunities to sell aftermarket products and services.
- Conservation by drivers will contribute to the declining gasoline market. Higher prices will encourage motorists to plan their driving more carefully.
- Fewer service stations, strategically located, will serve the motoring public.
- Future stations will be high-volume outlets, increasing from a 1979 average monthly volume nationwide of 45,000- to 80,000-plus gallons.
- Volume through outlets such as convenience stores is projected to level at about 5% of the market.
- New technology, such as electronic dispensing equipment, will be used extensively.

Looking ahead, Mr. Pierpont saw long term changes as not affecting dealers for a number of years. These include such developments as:

- Electric cars, now in experimental stages.
- Alternative fuels under development but generally not yet cost competitive.
- Automated retailing, featuring unmanned outlets and electronic invoicing.

He described how Exxon is responding to the changes ahead by modernizing key locations; surplusing unprofitable, inefficient outlets; building new stations very selectively; and improving the efficiency of station operations. In addition, he said, the company is continually evaluating its marketing practices, including training, advertising/merchandising, credit, delivery procedures, and communications. Close communication with dealers and awareness of their requirements, he said, will influence company decisions in adapting to the future marketplace.

Mr. Adkins underlined Awareness—Flexibility—Efficiency—Ethics as the 4 watchwords which typify the basic areas critical to successfully meeting the challenges of the '80s.

Dealers and company representatives exchange viewpoints at meeting.

Mr. Fink is now manager of Exxon USA Marketing's Wholesale and Industrial Business.

Two-way communication in action at shirtsleeves session of Dealer Advisory Council meeting.

Awareness—to respond to consumer demands and know what competition is doing. This includes such customer preferences as clean, attractive facilities, fair prices, good service, quality repair work and convenient hours, regardless of the gasoline supply situation. And it means knowing what competitors are doing in the way of products and services offered and prices charged. Awareness of consumer preferences and competitors' actions, he said, is the only way a dealer can have the basic information needed for good business decisions.

Flexibility—to make necessary operating changes as the supply situation varies between adequate and tight. Such changes, he said, must maintain a favorable impression by customers and reflect good long-range business practices in areas of service, TBA sales, housekeeping, etc.

Efficiency—to successfully face the impact of inflationary and competitive pressure over the long run. This means high manpower productivity and low unit expense, tied to higher motor fuel volumes.

Ethics—to conduct business affairs in a honest, responsible manner.

Mr. Adkins also reminded the council of various Exxon programs designed to help dealers improve their business operation, including Business Efficiency Management, the Aftermarket Potential Analyzer, and Volume Management Counseling.

Examine wide range of topics at Dealer Advisory Council meeting

In 3 days of concentrated discussion, the 1980 Dealer Advisory Council reviewed a broad array of topics affecting Exxon dealers and zeroed in on a number of key issues. In give-and-take discussion, dealers and company representatives exchanged viewpoints, made recommendations, and sought constructive solutions to problems.

Of the various proposals offered, many were accepted and will be incorporated in future Exxon USA programs. Those that are not practical for economic or logistical reasons were explained to the council. And a number of recommendations will receive further study by the company, with a target for decisions within 60 to 90 days. As decisions are reached, Exxon USA will notify dealers of action taken through Dealer Advisory Council representatives, communications meetings, and publications.

Following are abbreviated reports of some of the topics covered.

Diesel fuel. The forecasted growth of diesel cars sparked interest in Exxon's plans for installing additional diesel pumps throughout the network. EUSA is planning more installations in 1981. These installations will be made on a very selective basis because it is expected that the increase in demand for diesel fuel will not be significant in the foreseeable future.

Discount for cash. Under this system, EUSA would reduce the DTW (Dealer Tank Wagon) price of gasoline by an amount equal to the cost of credit. At the same time, the company would begin to charge the dealer a fee for handling credit card transactions. The desired result would be a reduction in the retail price for a cash customer and an increase in the retail price for a credit customer, allowing the dealer to obtain the same margin of profit on each sale.

Customers would then have the choice at the point of sale of paying a price which includes the convenience of credit or of paying a lower price if they buy for cash. Dealers could thus compete more effectively with the private brander for the cash customer. Thus, this system would cause the credit customer to pay for the credit service he receives. At the same time, the cash customer would no longer subsidize credit purchases.

Department of Energy pricing regulations have not permitted the DTW price adjustments needed to implement Discount for Cash. It was noted, however, that if price controls were allowed to expire by next September, the program will likely be tested during 1981. (Editor's Note: With the early expiration of controls on January 28, 1981, EUSA is cur-

Shell Oil Company

One Shell Plaza
P. O. Box 2463
Houston, Texas 77001

W. J. Bittles, Jr.
Vice President Retail Sales

July 20, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, CA 94595

Dear John,

Appreciate hearing from you as well as receiving the copy of the "Food Store Dollars Per Day Survey". I find it to be most interesting.

I have some concern over disclosing "Shell Oil Company's marketing history, strategy, structure and goals" in any type of publication as I really do not want to share this with our competitors. I have, however, enclosed a copy of Shell Oil Company's publication dealing with the oil products business in its entirety. I think you will find there are many references to our marketing effort and hopefully they will fill your needs.

Sincerely,

Bill

Enclosure

Shell Oil Company has achieved outstanding success in the business of refining and marketing petroleum products. Indeed, in our Oil Products business, we rank among the most efficient and profitable of major oil companies. Our strategy of cutting costs and consolidating marginally attractive operations continues to pay off. We believe that our return on investment from Oil Products consistently is two or three percentage points above the average in the domestic petroleum industry and, in 1980, was above the average of all manufacturing. We are proud of our past achievements.

How does Shell retain such a position? Shell concentrates its efforts where best it can compete. We examine the performance of every operation, from a major refining facility to an individual service station. Shell keeps a sharp eye on its costs of doing business.

The following pages elaborate on our application of these basic strategies. They tell how we run our Oil Products business, compare us with others who transport, manufacture and market refined products, and show how Oil Products is a vital link in Shell's crude oil-transportation-refining-marketing-chemicals chain.

These pages also suggest how Oil Products expects to perform in the future. 1980 brought major changes in the pattern of energy supply and demand in the United States. Early in 1981, Federal decontrol of crude oil, gasoline and propane prices for the first time in over seven years left these energy supplies free to seek their proper economic levels. Increased crude oil costs and resulting higher product prices are changing demand. Yet these are only the latest in a long succession of circumstances to which Shell has responded successfully.

Some observers feel that the oil industry will have difficulty meeting the challenges ahead. We believe that our Oil Products business is well equipped to overcome the problems of the future. This booklet gives cogent evidence of how Shell looks for solutions.

This booklet frankly is addressed to those readers who are most interested in the financial results and managerial style of Shell's Oil Products business. The operations of Exploration & Production and of Chemical Products are left to other publications.

J. B. Henderson

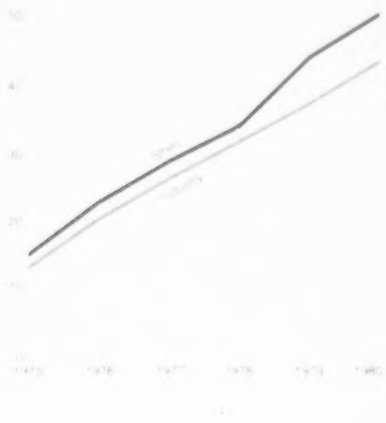
Perhaps these pages also may interest the general reader who wants to know about the transporting, manufacturing and selling operations of an oil company. If this booklet can serve both audiences, it will achieve its aims.

J. B. Henderson

J. B. HENDERSON
Executive Vice President
Products
HOUSTON, MAY, 1981

Excerpt From Shell Oil Company's Oil Products Publication

Growth in Unleaded Share of Total Gasoline Sales



chase product delivered directly by Shell. In addition, Shell also delivers product to another 800 stations which are owned as well as operated by independent businessmen (sometimes referred to as "open dealers").

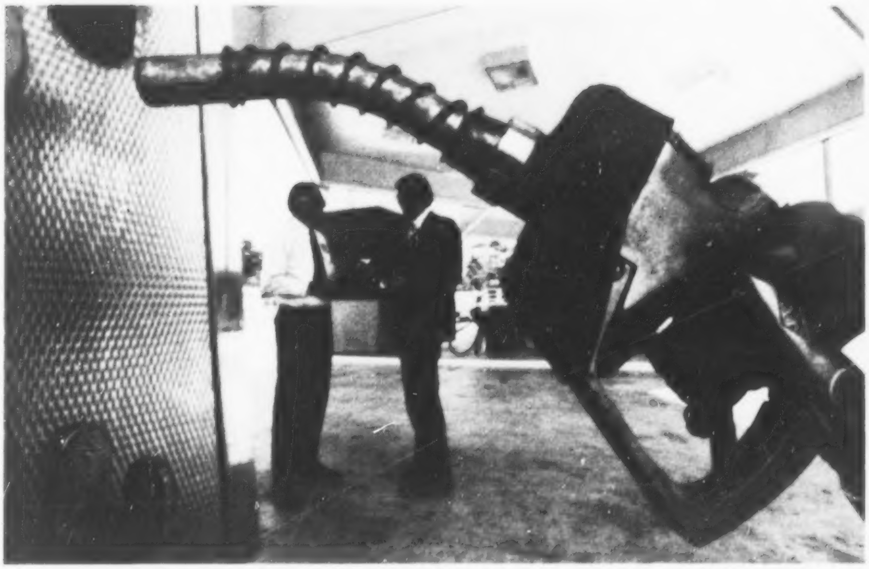
In addition, 650 Shell jobbers have 8,700 of their own service stations and operate under supply agreements with Shell.

Approximately 63 percent of Shell gasoline is sold through the direct network concentrated in larger urban centers, and about 30 percent is sold to jobbers. The remaining 7 percent is sold to commercial accounts.

Shell's Sales organization succeeds because our brand is strong and our dealers and jobbers are highly skilled and motivated.

Independent research indicates that the Shell pecten is recognized as one of the leading trademarks in industry. Motorists perceive strong benefits in dealing with Shell and using its products.

The brand value includes: product quality, such as geographic and seasonal climatizing, additive packages, product cleanliness, drivability and octane quality of gasoline; attractive, well-located stations; and customer services, including credit cards, AUTO CARE® (a certified mechanical service program), prompt handling of customer complaints, and an extensive ongoing consumer information campaign through the "Come to Shell for Answers" booklets. This brand value has been built over the years at considerable effort and expense and is a valuable asset contributing to Oil Products' competitive edge.



Business counseling in the field by Shell territory managers develops dealer business skills.

Motivating dealers and jobbers and developing their skills require professional training at our retail training centers and business counseling in the field by our territory managers and representatives. These ongoing programs are designed to professionalize station operation.

Shell is proud of its position as a leading gasoline marketer and recognizes that the maintenance of that position is directly related to the strength of our dealer and jobber organization.

Shell was an early leader in providing self service. Today, 75 percent of Shell's "direct" service stations have at least one pump island devoted to self service. Many have converted exclusively to self service. Higher volume inherent in self service makes this conversion attractive.

Shell also was one of the first to introduce a second unleaded gasoline and to phase out high octane leaded gasoline. Shell now offers a leaded regular, an unleaded regular and a high octane unleaded gasoline in service stations across the nation.

Changing signs illustrate changing times as unleaded gasolines replace the older leaded grades.

ARCO Petroleum Products Company
515 South Flower Street
Los Angeles, California 90071
Telephone 213 486 1277

E. G. Reilly
Vice President
Retail Marketing

July 22, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear Mr. Roscoe:

Your letter of July 14, addressed to Mr. G. H. Babikian, has been referred to me as I have responsibility for direct marketing by the Atlantic Richfield Company.

With reference to the information that you requested by August 15, 1981, please be advised that we will be unable to furnish you with it at this time.

Very truly yours,

E. G. Reilly

EGR:nsm

ARCO Petroleum Products Company is a Division of AtlanticRichfieldCompany

PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

PETROLEUM PRODUCTS GROUP
Marketing Division

July 31, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear Mr. Roscoe:

In response to your letter of July 14, 1981, requesting Phillips marketing information to include in your "Top 25 Oil Companies" report, we will not participate at this time.

We feel much of the information we would include in your report is currently being furnished to NPN for use in their Annual Fact Book.

We do, however, wish to thank you for giving Phillips Petroleum this consideration.

Very truly yours,

G. S. Page, Manager
Planning & Economics

GSP/lv

SUNMARK INDUSTRIES
A Division of Sun Oil Company of Pennsylvania
P.O. BOX 7368, PHILADELPHIA, PA 19101/1845 WALNUT STREET, PHILADELPHIA, PA 19102

JON D. HELMS
Vice President

July 29, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, CA 94595

Dear Mr. Roscoe:

In response to your letter of July 14 to Mr. Burtis, I am forwarding the attached which summarizes our view of gasoline marketing in the United States over the next ten years.

We appreciate your including us in your report and look forward to receiving a copy when it is published.

Cordially,

Jon D. Helms

Jon D. Helms
Vice President

JDH:kmc
cc: R. O. Burk
W. J. Magers

GASOLINE MARKETING IN THE 1980'S

The 1980's will be a dynamic period in gasoline marketing. The elimination of allocation and price controls, the continuing decline in demand, and the recognized need for the industry to improve the return on assets from its downstream operations will combine to bring about a number of structural changes in the way our business is carried out. Throughout the decade, the overall availability of supply should be more than adequate to meet demand, and any shortages that do occur will likely result from geo-political events rather than industry capabilities.

With adequate supply we once again expect to see increases in market share going to the independent segment of the market and this will add downward pressure on marketer's margins. Despite this renewed growth we continue to see a substantial, if not majority, segment of the market expressing a preference for the major branded marketers.

In light of this environment we have already begun to see changes:

- Marketers withdrawing from geographic areas where their return was not adequate.
- Sales of marginally profitable or unprofitable retail outlets.
- Restructuring of some of the traditional pricing mechanisms.
- Changes in organization to achieve more efficient use of human and physical resources.

As part of an overall corporate strategy we at Sun have responded to the environment we foresee for the 1980's in the following ways:

- Reduction of refinery capacity by the sale of the Duncan, Oklahoma refinery.
- Contraction of marketing activity to areas of traditional strength and continued sale of marginally profitable service stations. Such sales have resulted in the recovery of over $200 million since 1975.
- Upgrading of facilities and marketing support in our core areas.
- Response to a significant segment of the consumer population who prefer the gasoline-convenience store mix by significant participation in that business.

In summary, despite the declining demand for gasoline, it continues to represent a market of significant size with attractive profit potential for those participants who are positioned to satisfy the various segments of the consuming public in an efficient manner.

J. L. Goodhue
Sales Manager-Reseller
Wholesale Marketing Division

Marathon Oil Company

Findlay, Ohio 45840
Telephone 419/422-2121

July 20, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear Mr. Roscoe:

Mr. G. N. Nicholson has asked me to respond to your letter to him of July 14, 1981 regarding your future report entitled "What Do the Top 25 Oil Companies Say About Gasoline Marketing?"

Enclosed, outlined in yellow marker, is information about Marathon marketing contained in our brochure "This is Marathon Oil Company Today" which you may find useful for your new report.

If I can be of further assistance, please give me a call.

Sincerely,

J L Goodhue

J. L. Goodhue

JLG:fk

Enclosures (2)

MARATHON
M Marathon
PREMIUM

REFINING & MARKETING

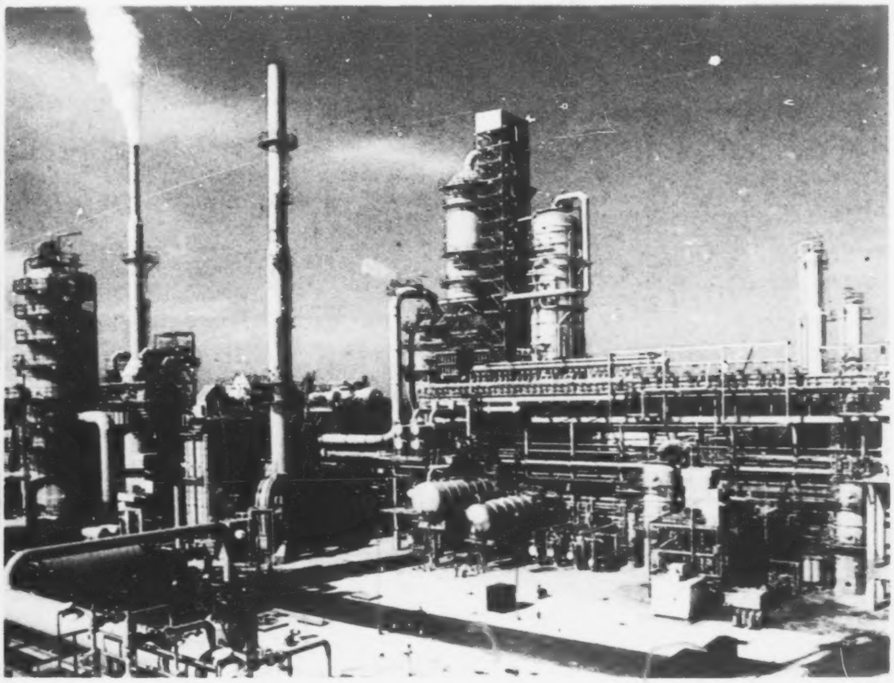
Marathon has developed a closely knit and flexible system of refining, distribution and marketing facilities for a high level of efficiency in serving its customers. Four domestic refineries have a combined capacity of 588,000 barrels of crude oil per day—an increase of more than 355,000 barrels of capacity since 1972.

U.S. Refineries	**Barrels/Day**
Garyville, La.	255,000
Robinson, Ill.	195,000
Texas City, Tex.	69,500
Detroit, Mich.	68,500

Brought on stream in 1976, the Garyville plant is the nation's newest large refinery. Process units and related facilities completed in 1979 have boosted the plant's unleaded gasoline capacity to more than 130,000 barrels per day.

Together, the four refineries are equipped to produce a full range of petroleum products, including premium, regular and unleaded gasolines, heating oil, diesel fuels, industrial fuel oil, asphalt and propane. Special units produce a variety of petrochemical feedstocks.

The refineries are effectively integrated by a system of refined product pipelines that permits refining operations to be planned on a companywide scale and provides efficiency and flexibility in the distribution of products.



Marathon, acutely aware of its responsibility to conserve energy, participated from 1972-1980 in an industrywide campaign to reduce fuel consumption at its U.S. refineries. During this period, fuel consumption was reduced by up to 24.6 percent within the company's four-refinery domestic network. Additional conservation programs are being conducted on an ongoing basis.

Marathon concentrates its marketing activity in the geographic area efficiently served by its refining and distribution system. The area includes 21 states, primarily in the Midwest and Southeast. Products are sold under the Marathon brand name through retail outlets in Ohio, Indiana, Illinois, Michigan and Kentucky. These stations provide the traditional range of services to the substantial segment of the public that prefers this style of attention to their automotive needs. At the same time, the company has kept abreast of the growing preference of many motorists for self-service in their purchase of gasoline.

At the wholesale level, Marathon sells products to many private-brand marketers and industrial customers in both the Midwest and Southeast regions of the nation. It is a leading supplier of refined products to independent marketers in this marketing area.

In Europe, Marathon owns a petrochemicals refinery at Burghausen, West Germany. With a capacity of 70,000 barrels per day, this plant produces ethylene, propylene, a butadiene-containing stream, benzene, light fuel oil and low-sulfur petroleum coke. These products are sold by contract and at wholesale.

Marathon is also part owner of a refinery at La Coruña, Spain.

Excerpt From "This is Marathon Oil Today"

Ashland

Ashland Petroleum Company
DIVISION OF ASHLAND OIL, INC
P.O. BOX 391 • ASHLAND, KENTUCKY 41101 • (606) 329-3333

JAMES E. FOUT
Group Vice President
(606) 329-4626

July 28, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear Mr. Roscoe:

Thank you for the opportunity to provide information regarding our Ashland Petroleum Marketing activities in your report on gasoline marketing. However, we choose at this time not to provide any additional detail relative to our current activity and future plans for marketing.

Sincerely,

J E Fout

js

cc: C. J. Luellen
R. A. Jensen

champlin

A Subsidiary of
Union Pacific Corporation

Charles R. Duke
Manager
Economic Research
& External Affairs
Manufacturing,
Marketing and
etrochemical Dept.

August 20, 1981

John F. Roscoe
Gasoline Marketing Survey
P. O. Box 886
Benicia, California 94510

Dear Mr. Roscoe:

We received your request of August 10, 1981 outlining your request for a statement of Champlin Petroleum marketing information. However, we do not wish to participate at this time. Thank you for considering us in your request.

Yours truly,

Charles R. Duke

Charles R. Duke

CRD/ve

Champlin Petroleum Company
P.O. Box 7
Fort Worth, Texas 76101
817/737-1137

TOSCO CORPORATION
10100 SANTA MONICA BOULEVARD
LOS ANGELES CALIFORNIA 90067
213 552-7000

DOUGLAS C. PRESTINE
VICE PRESIDENT
MARKETING AND SUPPLY GROUP

August 18, 1981

Mr. John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benecia, California 94510

Dear Mr. Roscoe:

Thank you for your invitation to participate in your report on gasoline marketing.

Enclosed you will find a brief description of Tosco's capabilities, strategy, and philosophy as an independent refiner-wholesale marketer of petroleum products. We trust you will find the format employed in keeping with the guidelines you established, and suitable for inclusion in your report.

Your interest in our participation is indeed appreciated.

Very truly yours,

D. C. Prestine

DCP:mj
Enclosure

TOSCO CORPORATION
10100 SANTA MONICA BOULEVARD
LOS ANGELES, CALIFORNIA 90067
213/552 7000

Tosco is the second largest independent refiner of gasoline in the United States with a total rated refining capacity of 261,500 barrels per day at four refinery locations in California (two), Arkansas, and Oklahoma. The company's distribution system reaches more than 25 western and mid-south states through approximately 150 product terminals yielding a large and complete system unique to an independent. This capability has enabled Tosco to become a dominant supplier to the independent, private brand petroleum marketing sector within the markets it serves.

Tosco addresses the independent petroleum marketing sector with an ability to respond to its increasing requirement for product as that marketing sector grows through new and modernized retail outlets. This is accomplished through the company's capability as a refiner to convert heavy, sour and generally lesser quality crude oils into high quality finished products. Because of this capability Tosco inherits the business of those refiners who were previously unwilling and who at escalated costs are presently unable to effectively invest in the sophisticated conversion facilities necessary to handle the crude oils of today. Recognition of this capability has been largely responsible for Tosco being viewed as a highly desirable long term supplier.

The mainstay of Tosco's business is the independent wholesale purchaser-retailer of motor fuels who operates from a handful to a hundred or more efficient, cost effective retail outlets. Tosco believes their customers are the most efficient and cost effective element within petroleum retailing, and has divested of their own retailing activities to concentrate on becoming a more effective refiner, wholesale supplier.

Tosco's target customer is the chain retailer capable of prospering and growing under all market conditions; not simply during those periods of temporary short supply and broad margins. Once certain of a customer's desire and ability to grow, Tosco attempts to relate to that customer as a partner in its own growth rather than as just another customer. By so doing, a strengthened relationship is fostered where an improved understanding of customer interests and needs permits Tosco to become a more responsive and in turn more desirable supplier.

It is Tosco's intent to demonstrate itself to be a consistent, reliable supplier capable of responsibly delivering product volumes regardless of market conditions. In return, Tosco expects the same variety of consistency and reliability in a customer's purchase of regular volumes of product. Each party can then effectively and with confidence plan future business directions.

Clark Oil & Refining Corporation
8530 West National Avenue
Post Office Box 1994
Milwaukee, Wisconsin 53201
414-321-5100

Jacob R. Musha
Senior Vice President
Marketing

August 12, 1981

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, CA 94595

Dear Mr. Roscoe:

On August 4, 1981 Apex Holding Co. announced its intention to purchase the outstanding stock of our company. This is a "friendly" take over and there has been no opposition to it.

In light of the above, I think it would be imprudent for me to discuss marketing strategy, structure or goals at this point.

Thank you for attempting to include us in your report--maybe next time! I would be interested in receiving a copy of the completed report.

Sincerely yours,

Jacob R. Musha

ph

Enclosure

Retail Revival: Clark Oil & Refining Becomes a Market Force to Consider

"I'm sure they're getting nervous," says Clark Oil marketing vice president Jack Musha, describing the competition as Clark sinks $15-million this year into a retail overhaul and expansion thrust unprecedented in its 13-state marketing area.

The Milwaukee-based refiner-marketer, the somewhat plodding independent that kept high prices and cultivated its "premium" brand image jealously in times past, recently announced it would turn away from wholesale marketing to concentrate on its retail network. The changes now taking shape, however, are only the latest wave in a broad reorganization of management and marketing goals that got under way two years ago.

The refiner quietly has closed 400 Clark branded stations in the past 18 months, now direct-operating 1,129 units and supplying 300 dealer-operated outlets.

Clark's retail revitalization actually took root in 1979 when the company began profitability evaluations of each of its outlets and consolidated its marketing districts from 23 to 15. Each evaluation was followed by one or more of several basic shifts that are gaining note today: closing of marginal, low volume stations and conversions to self-service, "super-pumper" or convenience-store formats.

By Cornelius Geary
Midwest Editor

Clark intends to spend $15-million this year in ten metropolitan markets to: (1) convert more than 200 stations to self-service; (2) erect 10 to 15 super pumpers; (3) build 10 new "grocerettes"; (4) construct four "mini-marts" in Chicago, and (5) completely remodel 70 existing service stations.

Moving fast and decisively to more efficient operations, Clark also intends to become a more aggressive price operator, says Musha. "We historically have been followers," he says of the refiner's former pricing policies. "We were never the first to go up and always among the last to go down. I still plan to be a follower, but an extremely quick follower—among the leaders going up, or down."

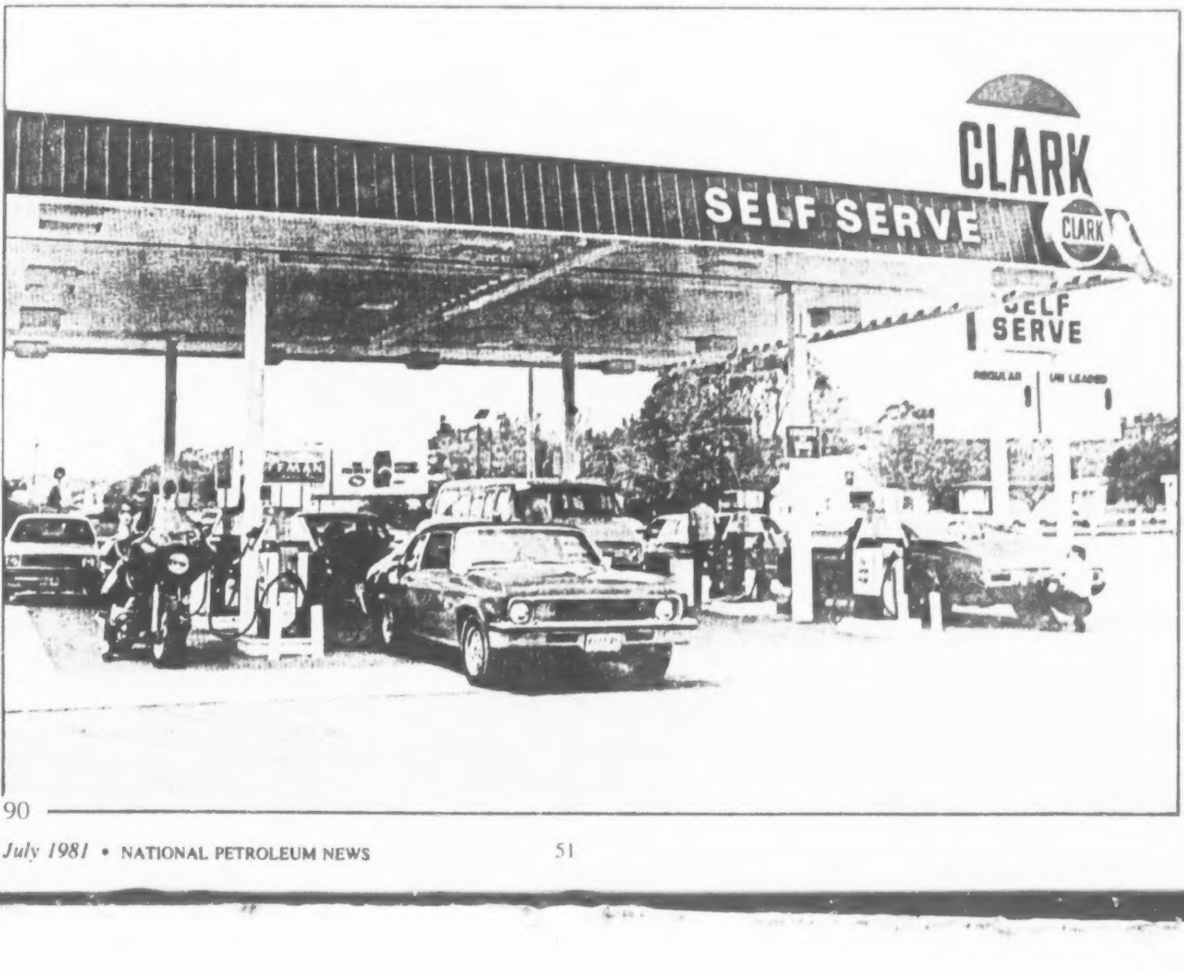
Reorganization of Clark's marketing thrust came hand-in-hand with the appointment in 1979 of Robert G. Reed III as chairman and CEO. Reed decentralized Clark management responsibilities and developed separate wholesale and retail sales functions. The company converted 120 stations to self-service in 1980 and completed reorganization in three of its markets—Dayton and Toledo, Ohio, and Fort Wayne, Indiana.

In Dayton, six stations were closed, 11 stations remodeled, and Clark's first super pumper was opened. Results were a 45% increase in per station gallonage and a cost per gallon reduction of 50%, the company says.

In Toledo, four stations were closed, 11 stations were converted to self-service, and three super pumpers were opened. Volume increases and cost savings reported were similar to those in Dayton.

In Fort Wayne, two units were closed, one super pumper was brought on stream, and seven units were converted to self-service.

Today, Clark has eight super pumper facilities in operation. The average such



Clark Oil, suddenly an aggressive price operator, is sinking $15-million in its retail operations this year with the focus on low-price, high-volume self-service. The new approach is bringing in the business and promoting jitters among Midwest competitors.

CLARK
SUPER 100

For many years, Clark Oil based its marketing thrust on 'Super 100' premium grade leaded gasoline—the only grade sold at Clark stations. But shifts to a smaller vehicle fleet and unleaded gasolines left Clark's 'premium' brand image outmoded.

station is expected to move 150,000 gal. a month to start, increasing to a range of 200,000 to 250,000 gal. Each unit is equipped with 16 to 24 hoses and new dispensers—60% Gilbarco, 40% Tokheim—front mounted nozzle models to accommodate a buying public now estimated to consist of 50% women.

An average remodeled unit, or "revamp" as Musha calls them, when converted to self-service is expected to achieve 100,000 gal. per month throughput to begin.

All these changes have had significant results already on Clark's net income and cash flow positions, say company executives. The company's earning power as measured by sales, assets and shareholders' equity has more than doubled in the five years ending in 1980.

Closing marginal outlets helped Clark achieve an 8.5% reduction in retail operating costs per gal. in 1980. The present objective for operating costs at each super pumper is 7¢ gal. and for each "revamp" 5¢ gal., according to Musha, who adds that costs have been cut at least 2¢ gal. overall in 1981.

The operating efficiencies are coming none to soon as the impact of decontrol and surplus markets take their toll on company financial statements. Clark reported a first-quarter operating deficit of $4.47-million though company revenues of $431-million were up 7% over the comparable 1980 period. Petroleum sales overall were down 7% and gasoline volumes in particular were down 6.6% from 1980, say executives.

The company, like other refiners, cited falling demand and high raw material costs as the major contributors to negative first-quarter results. It looks forward, however, to accelerating what it calls "a competitive edge" in the high yields of gasoline that company refineries can produce from each barrel of crude.

"Clark refineries," says chairman Reed in the company's first-quarter statement, "can produce an average of 70% gasoline from a barrel of crude, compared to an industry average of 50%. More than 90% of this gasoline can be produced as unleaded."

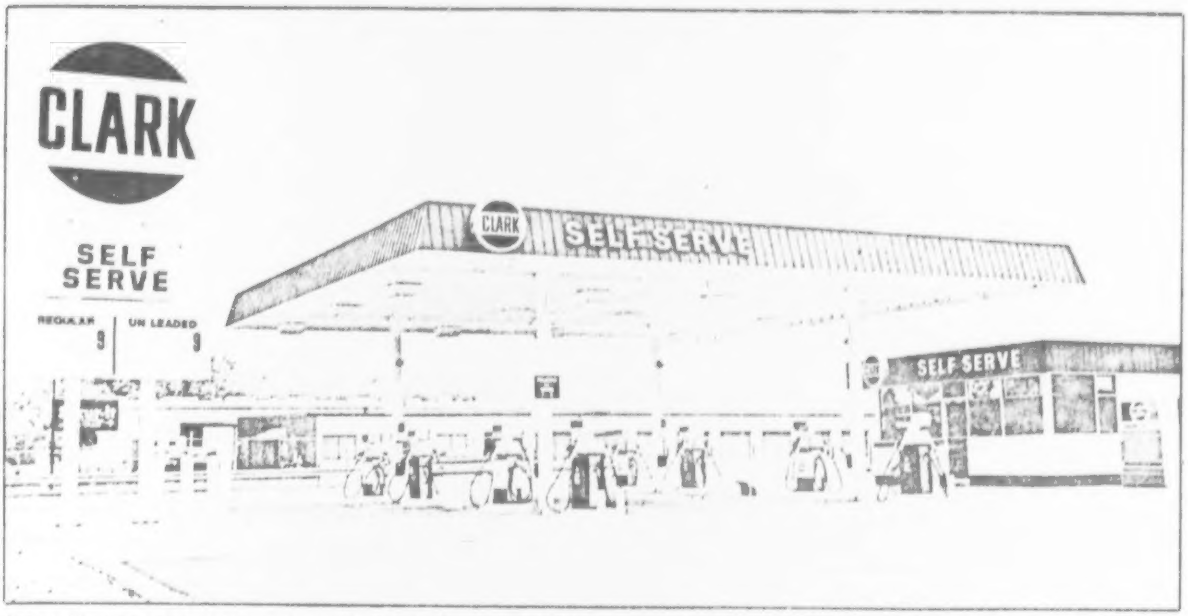
Clark's Blue Island, Ill., refinery boasts a hydrocracker and above average capability to produce more than 80% gasoline from crude oil, and can turn 100% of the gasoline into unleaded product. Also, the company's Wood River, Ill., plant will have an enhanced capability for processing high sulfur crudes following completion of a $120-million modernization project in 1985.

The company declines to name the 10 metropolitan areas in which the new round of self-serve and super-pumper conversions will take place. When the previous market shifts were announced in advance, say Clark executives, competitors took steps to counteract the market thrusts.

The new projects get under way this summer with completion due in the fall at a cost per station of between $75,000 and $130,000.

Clark's self-serve conversion program is advancing in giant steps: 39% of the company's retail outlets were self-service in 1979, 56% by the end of 1980 and 64% today. The figure is expected to be 75% by the end of this year and the company hopes to have 85% of its outlets in self-service by the end of 1982.

Clark's entry into convenience-store



Today, Clark operates eight 'super pumpers' and plans to build 10 to 15 more this year. These units are expected to average 150,000 gal. a month to start, later ranging to 200,000-250,000 gal. Competitors say Clark managers are meeting their targets.

marketing became more formidable with the hiring this spring of Walt Stewart, an 11-year veteran with 7-11 and Stop-N-Go, as manager of company C-store operations.

Stewart says his goal in managing Clark's 28 grocerettes is "the standardization of procedures," including merchandising, pricing and margins. Margins "in excess of 30%, even 40% are achievable in certain areas," he says.

Stewart views C-store operations as the next logical step after self-serve gasoline, which he calls "essentially a convenience item." In many areas, Stewart says, C-stores are taking the place of the traditional mom and pop stores and will become increasingly important as "inflation puts an even higher premium on a person's time."

"We want to grow systematically in this area," says Musha. "To this point with C-stores we have been successful in spite of ourselves," adding that with the hiring of Stewart the company will have definite goals for its convenience-store operations.

Clark differentiates "grocerette" from "mini-mart" by establishing the latter as a more limited operation inside a kiosk on a station island.

Up to now Clark has not broken out C-store revenues other than as miscellaneous sales from gasoline outlets. Musha declines to estimate company grocery sales for the 28 stores in the past 12 months.

To date, Clark's most important states in terms of grocery sales are Wisconsin, with eight stores, and Illinois, Indiana, Ohio and Michigan with four each.

All in all, the Clark retail moves indicate the company will be no lumbering giant among independents as competition gets rough. With continued pruning of its retail network, rising gasoline sales efficiency, and a determined move into fairly large C-store operations, Clark is on the track many marketers advise is necessary for survival.

In fact, as Apex Oil Co., the crude oil reseller based in St. Louis, buys up more and more Clark Oil & Refining stock, some wonder whether Clark isn't becoming a more and more attractive takeover target with each improvement in its refining and marketing operations. The company no longer can be overlooked as an efficient clearinghouse for today's low-margin products.

NON-RESPONDENTS:

TEXACO-USA
Mr. E. W. Gunnels
V.P. Marketing

CITIES SERVICE COMPANY
Mr. J.H. Dewell
V.P. Retail Marketing

GULF OIL-US
Mr. M. P. Zanotti
V.P. Marketing Coordinator

MOBIL OIL CORP.
Mr. R. L. Abbot
V.P. and General Manager, Marketing

AMOCO OIL COMPANY
Mr. S. G. Van Sickle
V.P. Marketing

CONOCO
Mr. B. F. McCall
V.P. North American Marketing

STANDARD OIL COMPANY (OHIO)
Mr. R. G. Griffen
V.P. Marketing

UNION OIL COMPANY
Mr. J. W. Groesch
Manager, Marketing Information
Union 76 Division

GETTY REFINING AND MARKETING
Mr. Thomas A. Differ
Senior V.P.

COASTAL STATES
Mr. D. J. Hill
Sr. V.P. Marketing

KERR-McGEE REFINING CORP.
Mr. W. N. Pritchett
V.P. Marketing

TENNECO OIL COMPANY
Mr. H. W. Taylor
Division General Manager
Retail Marketing Division

CROWN CENTRAL PETROLEUM CORP.
Mr. L. B. Raborn
General Manager, Marketing

TESORO PETROLEUM CORP.
Mr. Robert V. Wast Jr.
Chairman and CEO

Standard Oil Company of California

Mr. J.F. McGuire, Manager, Retail Division, called on August 4, 1981 and stated that Chevron did not wish to share their marketing strategy with anyone in a publication.

GASOLINE STATISTICS — WHAT THE EXPERTS SAY:

We started our investigation by looking at the figures of the American Petroleum Institute, the Department of Energy, The Federal Highway Administration, the Federal Highway Administration, the Bureaus of the Census, National Petroleum News, the Oil Daily, and the Lundberg Letter. Unfortunately, there is no comprehensive set of statistics, and many of the figures one does find conflict with each other.

Take the number of outlets selling gasoline in America, as an example. Estimates include anywhere from 200,000 service stations down to 102,000 stations. When other retail gasoline outlets, such as convenience stores, garages, rental car outlets, and others are included, the total is impossible to discover. Even the five year census of retail trade doesn't reveal that. A good guess is somewhere around 300,000 units - which is probably down by about 25% from the total in 1973.

There is also a consensus that gasoline consumption has declined. The best figures, from the Federal Highway Administration, put the 1980 decline at about 5.6%. Other guesses are between four percent and seven percent. During the same period, vehicle miles traveled increased between two and three percent. You can find a lot of different explanations for this phenomena, including the recession, higher gas mileage in automobiles, or resistance to higher gasoline prices in the form of conservation.

These figures on past gasoline consumption, present usage, refining capacity, usage by car, miles driven, and total motor vehicles registration show it's a big market.

PRESENT USAGE

The U.S. Department of Transportation, Federal Highway Adminstration in their "Monthly Motor Gasoline Reported by States" says:

> "BASED ON REPORTS FROM 40 STATES, GASOLINE CONSUMPTION FOR MARCH 1981, showed a decrease of 4.1% in comparison to March 1980, while vehicle miles of travel increased 2.6%. The cumulative for 1981 showed a decrease of 4.2% in comparison to 1980, while vehicle miles of travel increased 1.9%. The change for the 12 month period ending with March 1981 was -5.0% compared to the same period a year earlier".
>
> Source: U.S. Department of Transportation Federal Highway Administration

MOTOR FUEL CONSUMPTION

Comprises all fuels (gasoline) diesel or other fuels used for propulsion of vehicles under state motor fuel laws.

Excludes Federal purchases for military use.

Year	Total Consumption in Billions of Gallons	Average Annual Percent Change
1960	57.9	4.0[1]
1965	71.1	4.2
1970	92.3	5.4
1972	105.1	6.7
1973	110.5	6.2
1974	106.3	-3.8
1975	109.0	2.5
1976	115.7	6.2
1977	119.6	3.4
1978	125.1	4.6
1979	122.1	-2.4
1980	Available in October 1981	

1979 Gasoline Gallons 111,771,026,000 which includes 3,645,032,000 gallons for non-highway use in 1979.

1. Change from 1955.

Source: U.S. Federal Highway Administration, Highway Statistics, Annual

MOTOR VEHICLE REGISTRATIONS

Year	Total Cars, Trucks, Buses	Passenger Cars and Taxes	Avg. Annual Percent Increase in Registration
1950	49.200.000	40.400.000	7.4
1960	73.900.000	61.700.000	3.3
1970	108.400.000	89.200.000	3.2
1975	132.900.000	106.700.000	2.3
1976	138.500.000	110.400.000	4.2
1977	142.400.000	112.300.000	2.8
1978	148.800.000	116.600.000	4.5
1979	154.100.000	120.200.000	3.8

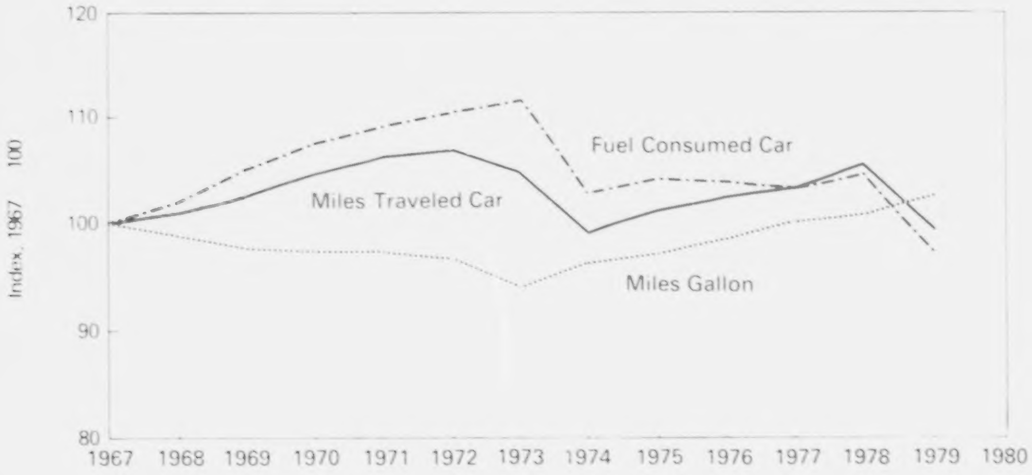
Source: Registrations - U.S. Federal Highway Administration Highway Statistics as reported in the Statistical Abstract of the United States 1980.

Executive Summary

Energy Indicator — U.S. Passenger Car Efficiency

	Average Fuel Consumed per Car		Average Miles Traveled per Car		Average Miles Traveled per Gallon of Fuel Consumed	
	Gallons	Index	Miles	Index	Miles	Index
1967	684	100.0	9,531	100.0	13.93	100.0
1968	698	102.0	9,627	101.0	13.79	99.0
1969	718	105.0	9,782	102.6	13.63	97.8
1970	735	107.5	9,978	104.7	13.57	97.4
1971	746	109.1	10,121	106.2	13.57	97.4
1972	755	110.4	10,184	106.9	13.49	96.8
1973	763	111.5	9,992	104.8	13.10	94.0
1974	704	102.9	9,448	99.1	13.43	96.4
1975	712	104.1	9,634	101.1	13.53	97.1
1976	711	103.9	9,763	102.4	13.72	98.5
1977	706	103.2	9,839	103.2	13.94	100.1
1978	715	104.5	10,046	105.4	14.06	100.9
1979	664	97.1	9,485	99.5	14.29	102.6

U.S. Passenger Car Efficiency Index



Geographic coverage: the 50 United States and District of Columbia.
Source: ● U.S. Department of Transportation, Federal Highway Administration, Federal Highway Statistics Division, "Highway Statistics", Table VM-1.

Source: U.S. Department of Energy, Energy Information Administration DOE/EIA (81/06) Monthly Energy Review June 1981

U.S. REFINERS
1980

Total Operating Refinery Capacity for the United States b/d		18,620,520
Total Output b/d		15,483,288
Output as a % of Rated Capacity		83.15%
Of This		
Motor Gasoline		
Finished leaded b/d	3,541,026	
Finished unleaded b/d	3,371,062	
Blending Components b/d	306,903	
Total Motor Gasoline b/d		7,218,991

46.62% of U.S. Refinery Output is Motor Gasoline

At 42 Gallons to the Barrel, this converts to 303,197,580 gallons per day.

365 days × 303,197,580 equals 110,664,350,000 gallons produced per year.

Source: U.S. Department of Energy, Energy Data Report DOE/EIA - 0111 (81) January 1, 1981

REFINERS' CRUDE DISTILLATION CAPACITY AS OF JANUARY 1, 1981

	Number of Refining Companies	Barrels Per Calendar Day Capacity	Percent of Total Refining Capacity
Companies with a capacity more than 100.000 b/d	31	15.318.712	82.26%
Companies with a capacity 30.001 to 100.000 b/d	31	1.779.570	9.55%
Companies with a capacity 10.001 to 30.000 b/d	63	1.170.388	6.28%
Companies with a capacity 10.000 b/d or less	65	350.850	1.88%
Totals	190	18.620.520	100%

Source: U.S. Department of Energy - Energy Information Administration DOE/EIA - 0111 (81) January 1, 1981.

Table 7. Refinery Input/Output by P.A.D. Districts[1]
(Barrels per Calendar Day)

Input/Output	P.A.D. District I			P.A.D. District II			P.A.D. District III			P.A.D. District IV			P.A.D. District V			United States		
	Current Year	Projected First Year	Projected Second Year	Current Year	Projected First Year	Projected Second Year	Current Year	Projected First Year	Projected Second Year	Current Year	Projected First Year	Projected Second Year	Current Year	Projected First Year	Projected Second Year	Current Year	Projected First Year	Projected Second Year
Input																		
Sweet Crude Oil[2]	787,015	794,041	801,115	2,230,266	2,177,379	2,191,989	3,399,341	3,856,906	3,810,242	241,656	256,648	262,098	478,235	447,097	461,397	7,136,513	7,532,071	7,526,841
Medium Sulfur Crude Oil[3]																		
Light Medium	44,800	53,400	42,400	164,920	189,666	189,666	262,886	331,903	382,303	85,512	93,320	93,920	122,231	135,631	137,431	680,349	803,920	845,720
Heavy Medium	60,300	39,000	41,400	86,800	107,320	111,100	116,210	133,575	133,575	13,250	13,250	13,250	773,345	798,420	773,670	1,049,905	1,091,565	1,072,995
High Sulfur Crude Oil[4]																		
Light High	290,100	289,900	232,200	336,500	377,981	375,065	1,470,623	1,388,918	1,374,118	18,900	18,900	18,900	94,055	93,051	95,051	2,210,178	2,168,750	2,095,334
Heavy High	430,220	465,400	576,700	679,300	686,250	703,750	1,181,687	1,366,326	1,588,708	111,061	115,083	104,207	996,350	1,110,007	1,203,007	3,398,618	3,743,066	4,176,372
Lease Condensate	156	158	161	36,535	36,314	36,315	100,493	114,903	113,622	13,480	16,050	20,650	600	600	600	151,264	168,025	171,348
Natural Gas Liquids	16,406	16,034	22,598	287,752	287,020	286,489	406,605	434,208	441,646	17,776	17,907	17,841	26,923	28,045	25,646	755,462	783,214	794,220
Other Hydrocarbons/ Hydrogen	5,333	6,404	6,404	30,831	28,723	29,074	132,244	126,367	131,596	3,308	3,029	3,029	34,135	30,581	31,705	205,851	195,104	201,808
Unfinished Oils	81,398	67,574	65,823	70,884	65,801	63,984	369,972	387,658	384,927	11,085	13,881	14,173	189,401	218,006	177,076	722,740	752,920	705,983
Total Input	1,715,728	1,731,911	1,788,801	3,923,788	3,956,454	3,987,432	7,440,061	8,140,764	8,360,737	516,028	548,068	548,068	2,715,275	2,861,438	2,905,583	16,310,880	17,238,635	17,590,621
Output																		
Motor Gasoline																		
Finished Leaded	370,061	342,590	322,157	1,092,622	1,030,298	993,988	1,462,778	1,471,534	1,417,213	164,172	160,255	156,732	451,393	433,565	447,33[illegible]	3,541,026	3,438,242	3,337,426
Finished Unleaded	348,828	415,622	451,244	947,704	1,024,332	1,064,121	1,413,373	1,617,127	1,664,146	81,489	101,281	110,157	579,668	586,289	620,0[illegible]	3,371,062	3,744,651	3,909,748
Blending Components	2,425	2,522	2,538	88,981	87,378	95,575	188,029	185,903	183,934	2,285	4,127	4,132	25,183	42,055	41,05[illegible]	[illegible]	321,985	327,234
Jet Fuel																		
Naphtha-type	25,877	25,500	27,200	37,758	43,323	43,526	77,937	98,073	103,403	14,126	14,909	15,059	52,357	52,319	55,119	208,055	234,124	244,307
Kerosene-type	62,100	69,500	67,000	165,016	168,278	170,778	528,978	565,746	570,384	19,242	21,379	21,754	251,907	275,414	266,364	1,027,243	1,100,317	1,096,280
Kerosene (incl. range oil)	8,107	7,269	7,269	34,172	33,492	33,824	89,920	69,221	75,888	3,289	3,789	3,789	7,859	5,420	5,540	143,347	119,191	126,310
Distillate Fuel Oil, Less No. 4	388,396	361,638	376,055	744,100	746,480	761,268	1,214,455	1,336,515	1,394,320	121,719	124,084	127,604	329,733	351,776	357,540	2,798,403	2,920,493	3,016,787
No. 4 Fuel Oil	468	0	0	6,288	6,346	6,447	27,566	30,929	36,511	339	710	710	18,874	17,324	19,370	53,535	55,309	63,038
Residual Fuel Oil (#5 & #6)	206,537	190,448	201,896	150,981	154,351	155,954	768,193	838,346	890,931	20,460	23,243	23,572	520,122	538,872	548,008	1,666,293	1,745,260	1,820,361
Asphalt & Road Oil	90,738	96,310	107,460	152,879	158,576	158,112	108,367	112,950	115,948	27,432	29,239	29,258	69,927	76,486	80,852	449,343	473,561	491,630
Lubricating Oils	34,655	35,837	37,998	32,078	34,978	34,578	111,054	117,384	123,231	1,100	1,100	1,100	20,000	20,000	21,000	198,887	209,299	217,907
Wax (all grades)	4,332	4,510	4,565	1,490	1,720	1,720	14,805	15,146	15,932	250	250	250	3,100	3,100	3,100	23,977	24,726	25,567
Coke	13,422	12,805	12,919	47,370	47,622	49,668	60,180	61,222	72,956	4,757	4,787	4,762	68,594	77,608	78,178	194,323	204,044	218,483
Special Naphthas	5,692	4,976	5,060	26,292	27,114	27,035	67,014	92,919	123,151	854	1,554	1,554	13,101	11,110	11,710	112,953	127,673	168,510
Liquefied Refinery Gas	38,710	43,074	46,058	75,789	77,370	78,177	203,908	202,316	220,410	5,003	6,079	6,312	33,514	32,610	33,006	356,924	361,449	383,963
All Other Products	84,352	85,707	97,856	80,638	78,752	80,293	768,770	842,512	902,070	11,076	8,701	8,791	86,178	71,992	78,145	[illegible]	1,087,664	1,167,155
Total Output	1,684,700	1,698,308	1,767,275	3,684,158	3,720,410	3,755,064	7,105,327	7,657,843	7,910,428	477,593	505,487	515,536	2,531,510	2,595,940	2,666,403	15,483,288	16,177,988	16,614,706

[1] As of January 1, 1981, 1981, and projections for 1982 and 1983.
[2] Less than 0.5 percent sulfur by weight.
[3] Between 0.5 and 1.0 percent sulfur by weight.
[4] Over 1.0 percent sulfur by weight.
Source: Form EIA-1[illegible]

DOE/EIA-0111(81)

Energy Data Report

U.S. Department of Energy
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PETROLEUM REFINERIES IN THE UNITED STATES AND U.S. TERRITORIES

January 1, 1981

On January 1, 1981, there were 324 refineries in the United States with a total crude oil distillation capacity of 18.6 million barrels per calendar day and 19.8 million barrels per stream day, according to the Energy Information Administration, United States Department of Energy. During 1980, the number of refineries in the United States, excluding the territories, increased by five, while the capacity increased by 632,399 barrels per calendar day and 695,383 barrels per stream day. The net increase of five in the number of refineries was the result of the dismantling of three and the start-up of eight during 1980. These eight refineries accounted for an increase in crude oil distillation capacity of 225,630 barrels per calendar day and 251,400 barrels per stream day. Of the total crude oil distillation capacity at the beginning of this year, 569,260 barrels per calendar day and 639,967 barrels per stream day were shutdown.

Crude oil distillation capacities projected for January 1, 1982, and 1983, show increases of 342,072 barrels and 293,543 barrels per stream day, respectively. Four new refineries projected to be onstream in 1982 account for 98,045 barrels of this increased capacity. A comparison of the projections from the January 1, 1980, report and this report indicates an acceleration in retrofitting and in expansion of crude oil distillation facilities to refine heavy sour crudes.

The projected average refinery input of crude oil and other feedstocks to refineries in the United States during 1981 is 16.3 million barrels per calendar day, which is 0.9 million barrels less than the average input projected in the January 1, 1980, report. This lower level of refinery input is reflected in the projected product yields of 15.5 million barrels per calendar day in 1981, which are 0.7 million barrels per calendar day less than projected 1980 yields. Projections for the next 2 years will bring the total daily average input/output to 17.6 million barrels and 16.6 million barrels respectively in 1983. Low demand, large inventories of gasoline and distillate fuel oils plus the inability to process high sulfur crudes have triggered this development.

Shell and working storage capacity for crude oil and petroleum products at refineries on January 1, 1981, totaled 834,007 thousand barrels and 737,856 thousand barrels, respectively. Compared with the January 1, 1980, report, both shell storage capacity and working storage capacity each increased by 26.0 percent or 171,498 thousand barrels and 150,505 thousand barrels, respectively.

Note: Throughout this publication, the United States is defined as the 50 states and the District of Columbia.

Prepared April 27, 1981, in the Office of Oil and Gas Statistics.
Released for printing May 22, 1981.

REFINERS' CRUDE DISTILLATION

	Refiner	Barrels Per Calendar Day	% of Total U.S Refining Capacity
		1,557,000	8.36%
1.	Exxon	1,469,700	7.89%
2.	Standard Oil Co. of Calif.	1,238,000	6.64%
3.	Standard Oil Co. Indiana (AMOCO)	1,136,000	6.10%
4.	Shell Oil Co.	1,059,000	5.68%
5.	Texaco	912,200	4.89%
6.	Gulf Oil Corp.	899,600	4.83%
7.	Mobil	871,200	4.67%
8.	Atlantic Richfield Co.	588,000	3.15%
9.	Marathon Oil Co.	490,000	2.63%
10.	Union Oil Co. of Calif.		
	Subtotal - Top 10 Refiners	10,220,700	54.84%
11.	Ashland Oil	462,943	2.48%
12.	Standard Oil Co. of Ohio	452,000	2.42%
13.	Conoco	448,100	2.40%
14.	Sun Co.	435,500	2.33%
15.	Phillips Petroleum Co.	425,000	2.28%
16.	Coastal Corp.	292,982	1.57%
17.	Cities Service Co.	291,000	1.56%
18.	Union Pacific - Champlin	283,800	1.52%
19.	Getty Oil Co.	283,577	1.52%
20.	Tosco Corp	271,500	1.45%
	Subtotal - Second 10 Refiners	3,646,402	19.53%
	Subtotal - Top 20 Refiners	13,867,102	74.37%

AS OF JANUARY 1, 1981

Refiner	Barrels Per Calendar Day	% of Total U.S. Refining Capacity
21. Dow Chemical	210,000	1.12%
22. Kerr-McGee	187,410	1.00%
23. American Petrofina	150,000	.80%
24. Total Petroleum	146,600	.78%
25. Murphy Oil Corp.	132,500	.71%
26. Clark Oil & Refining	130,100	.69%
27. Koch Industries	127,300	.68%
28. Agway Petroleum	126,700	.68%
29. Energy Cooperative	126,000	.67%
30. Tenneco Oil Co.	115,000	.61%
Total Capacity of Companies with more than 100,000 b/d Capacity	15,318,712	82.26%
Subtotal - Third 10 Refiners		7.74%
31. Crown Central Petroleum Corp.	100,000	.53%
32. Amerada Hess Corp.	98,000	.52%
33. Little America Refining Co.	96,500	.52%
34. Farmland Industries	88,500	.48%
35. Earth Resources Co.	87,000	.46%
36. Good Hope Industries	82,100	.44%
37. Independent Refining Corp.	80,000	.42%
38. Tesoro Petroleum Corp.	74,600	.40%
39. Diamond Shamrock Corp.	71,100	.38%
40. Texas Eastern Transmission	67,000	.35%
Subtotal - Fourth 10 Refiners	44,800	4.50%
Subtotal - Top 40 Refiners	16,163,512	86.76%
Total Operating Refinery Capacity for the United States	18,620,520	

Source: U.S. Department of Energy - Energy Information Administration DOE/EIA - 0111 (81) January 1. 1981

EDITORIAL:
Ned Roscoe

These 25 companies say little of substance about gasoline marketing. There is a myriad of other activities that receive more attention than gasoline marketing, some of which are more interesting. However, marketing is the step that counts; unless someone pays for the product, the whole process is for nought. These companies seem to take gasoline marketing for granted.

It's a safe bet that all of these companies consider themselves to be excellent marketers. Remarks like "We are traditionally strong in marketing," or "We are known as marketing pioneers" are quite common. The problem with these claims is that successful pioneers should report more profitable records than the rest. Although some of these companies are more profitable in marketing than others, it is difficult to identify any outstanding ones. This might be because the marketing environment for their products has changed, while most of them are trapped in the traditional gasoline marketing mold.

The average outlet today pumps about 40,000 gallons a month. In order to be profitable, the average outlet probably needs to pump 100,000 gallons per month. This probably cannot be done with the traditional marketing method. With the traditional method, maximizing gallonage and margin is very difficult - if it were otherwise, these companies would have done so. From a consumer's standpoint, the average service station now looks old and tired. Some people say this has happened because the process of creative destructive and construction stopped with the Arab oil embargo.

Why don't the large refiners change the way they market gasoline? There are several reasons why these companies could have overlooked opportunities in gasoline marketing:

1) When you have tens of thousands of stations, it costs a lot of money to make a sweeping change. The companies are in the unpleasant situation of either maintaining the old costly method, or making a large investment in a new marketing method.

2) Marketing tends to get short shrift from top management. Top managers tend to have backgrounds in engineering, geology, or finance. They might neglect marketing because it is out of their ken, or because they believe that it is a simple, intuitive operation. (Profitable marketing is not simple. Neglecting it is as foolish as letting someone prepare your tax return simply because he can do addition.)

3) Upstream profits are traditionally acknowledged to be larger and easier to make than downstream profits. It's natural for a company to concentrate attention on the greatest opportunities. In this case, that would explain why the annual reports say more about exploration and production than about selling the product.

4) Over the last 60 years, many marketers have developed a bad case of store blindness. Marketers have become so accustomed to their own way of doing business that they don't see the problems with the traditional method of gasoline marketing. The existing method is seen as the only possible and the most feasible method.

5) For most of the last ten years, refiners could sell all of the gasoline that they could produce. Government intervention, through price controls and regulations, and Mideast politics, restricted the supply of gasoline to consumers. It was a seller's market. There was no need for heroic marketing efforts.

6) The station building boom of the 60's left the majors with more outlets than can be run profitably today. That situation gives the impression that there is too much marketing effort instead of too little. Actually, operating that many stations is the wrong kind of marketing effort. Unfortunately for the refiners, just closing stations and adding high octane unleaded will not solve their marketing problems.

7) Innovations rarely come from established groups. Even if one maverick marketing vice-president decided to propose a radical change in gasoline marketing, he would have trouble convincing the appropriate committee that it was a worthwhile investment. After all, if it is a radical idea, it probably hasn't been tried. If it hasn't been tried, there are no results. Without results, there is no proof that it will succeed, and so, it is a risky investment. Maintaining the status quo is much easier.

8) Companies that advertise about the need for conservation and alternative sources of energy seem to contradict themselves if they try to be effective gasoline marketers. In general, marketers need to sell more gasoline in each unit. However, achieving that goal seems to require that these companies encourage consumption. That would appear to be socially irresponsible, and detrimental to their public image.

9) Some of these companies could be afraid of their dealers' reaction to any sweeping change. The dealers have shown in Maryland that they can be a powerful political force. This may or may not be a real danger since the dealers who have the greatest objections probably aren't doing very well with the present methods. Otherwise, the refiner wouldn't think about closing the station. Any dealer that objects to an improvement of his station, has far more serious problems than just his relationship with the company.

It is difficult to become a good marketer, and more difficult to remain so. The problem of marketing can be solved only by those with the authority to commit resources to change. To do that, the company should decide what business it is in; or what role it wants to play in the economy. Many of these companies define their business as "energy" or "producing energy". A good gasoline marketer *supplies* energy.

Some of these companies might decide to get out of the retail gasoline business in order to avoid future losses. A company may decide that it is more profitable to have someone else sell the product, like Tosco does. It might do this because the business could become even tougher in the coming years than it has been for the last decade. There are several trends:

1) Consumption could decline even further because of the impact of more fuel efficient automobiles on the roads. In 1965, the miles per gallon for the U.S. fleet of motor vehicles was 13.5. By 1980, the fleet average climbed to 14.29 miles per gallon. Since the mpg rating of the average new car is above that, there is a far greater potential for conservation than has yet been realized. As long as the American public perceives a need to conserve gasoline, this trend should continue. It will be balanced by the large numbers of buses and trucks that contribute to the low fleet average.

2) Deregulation spurred oil exploration and production. That will increase the future potential supply of gasoline. [Greater production will also cause crude oil prices to begin to stabilize, or depending on inflation, consumption, and the amount produced, even decline.] That will increase the likelihood that the nation will have an adequate refining capacity. What all this means is that there will probably be an ample supply of gasoline in the near future, if the free market continues.

3) In a free market, supply equals demand at the market price. When the price is held below the free market price, the demand exceeds the supply. This happens when there are price controls. When controls are lifted, supplies increase to match demand, and the market price adjusts until there are no longer any shortages. Then, the sellers no longer have the advantage. The best thing that could happen to the refiners is the reimposition of controls on retail gasoline prices. The best thing that can happen to a gasoline marketer is a massive disruption in crude oil supply, (as long as *he* can get some gasoline).

4) Refiners are upgrading refineries in order to produce up to 25% more gasoline per barrel of crude. Since gasoline is the most profitable product out of crude, there will be an even greater supply of gasoline available in the future than there was in the days before controls and embargos.

5) If the windfall profits tax is indeed reduced, crude oil producers will have additional incentive to try to increase the amount of gasoline that is sold, in order to make upstream profits. Marketing subsidies have already returned. This will make the gasoline market become even more competitive.

A more competitive market means that in order to make their gasoline marketing profitable, some companies will have to learn how to compete more effectively. Others will revive traditional methods of gas marketing, such as gas wars, games, and advertising, in order to solve the marketing problem. The great opportunity in gasoline marketing springs from this tendency of most companies to try to relive the past. This tendency might increase consumer acceptance of a new approach because the new approach would be novel.

Although I have no crystal ball, it seems to me that gasoline marketers should try to incorporate elements that make retailing sense. They should eliminate other elements. Credit cards can be of vital importance, just as they have been for years. An emphasis on quality, value, and service throughout the retail operation will persuade customers that some company's operation provides a good deal for them. Gasoline marketers who examine their present retail offer might decide that the gasoline outlet cannot compete with an auto parts store when it comes to selling tires, batteries and accessories. Even though auto repair services are traditionally part of the service station, it is possible that these services are neither profitable nor good for the station's image.

Instead, the gasoline marketer should figure out that he serves people, not automobiles. Gasoline outlets can supply the daily needs of the people who live and work around it; instead of just the needs of their cars. Besides that, a marketer who combines gasoline with the other products that people want on a daily basis can capitalize on automobile traffic. Thus, a complete retail offering that includes gasoline can benefit both the marketer and the consumer. As an added benefit, the gasoline outlet can bolster the company's image rather than detracting from it.

The decision to market is most effective when it is made by top management. Of course, in order to achieve this marketing ideal, top management must delegate enough authority to make the concept a profitable reality. Marketing staffs must be instructed and allowed to be bold and innovative, as well as cost-conscious. These staffs should be required to produce more results than market studies. Marketing is too important to get bogged down in corporate politics.

It would also make sense for top management to realize that even the best marketing efforts cannot produce the return on investment that is rumored to occur in oil production. The management should take that into account when it decides whether or not the company should be in the retail gasoline business. If a company will not spend enough to maximize the marketing return, then the company should spend money elsewhere. The history of retailing shows that if you only spend enough to maintain the status quo, you will soon be left out of the market as soon as others learn how they can compete more effectively.

The profitable gasoline marketing of the future will also require a new management style. Today, many consumers perceive service station employees as people who couldn't get jobs anywhere else. A new approach to gasoline marketing might include that the employees have clean hands and cheerful personalities. Gasoline marketers should recognize the importance of the employee who delivers the product to the ultimate consumer, and try to improve his performance. If the person who pumps the gasoline and rings up the sale doesn't have a good relationship with the company, the entire marketing process is underminded. In other words, a marketer can improve customer relations by improving employee relations

Successful marketers will also make a committment to continue to improve their operations. Retail outlets become tired if they are not refurbished occasionally. Also, customer interest is renewed with any improvements that are made. One of the major problems in most of the gasoline outlets today is that they have outlived their period of attractiveness to the consumer.

The return of full scale marketing campaigns and competition will mean the death of gasoline brand loyalty. It will be replaced with "logo loyalty". That is, customers will become loyal to the method of operation that is represented by a certain logo. Quality, value, and service will be the measuring devices that customers will use to decide which operation is the best opportunity for them. The company is most likely to be profitable if it can develop this customer loyalty.

One of the roles of any company is to produce a return on investment by serving the needs of some market. Companies are inclined to provide an attractive offer to consumers by the means of competition. The supply disruptions of the last decade allowed gasoline marketers to ignore both competition and the desires of their customers. The 80's will not be as easy. However, some companies may figure out a cost-effective way to be more responsive to consumer preferences. If that happens, those companies may become more profitable. When such a company serves both customers and owners, it can at last become a good corporate citizen.

EDITORIAL

John F. Roscoe

After reading the annual reports of the oil companies, the trade material on gasoline marketing and compiling this report, I have the following thoughts on gasoline marketing.

What do the oil companies say about gasoline marketing in their annual reports?

Nothing! They say nothing. It's an amazing business. This is a product that evidently sells itself. Seek, find, refine and thou shalt be rewarded. Smart, educated, aggressive, adventurous people are engaged to go to the ends of the earth to find crude oil, so that it can be refined to keep the lights of the world burning brightly. This is cast as a moral and socially responsible activity. God loves those who search the darkness to provide help to others. These men are sent out by chemical engineers. The chemical engineers have assumed the mantle of oil company management. Then an obscure marketing staff, none of whom are destined for top corporate leadership, sells gasoline to a complaining public at retail while trying not to lose too much money in the sales function. This is a socially irresponsible activity, since it involves consuming precious crude that really ought to be saved for future generations. Let's not talk about marketing.

How many places sell gasoline?

No one seems to know for sure. Probably a lot more than anyone wants to think. The 25 refiners in this survey say they operate 200,000 stations. It will be interesting to compare this to the figure they report next year.

How many places should sell gasoline?

As many as can make money doing it. A smart fellow a few years ago said a chain operator shouldn't operate any money-losing-units. As costs rise and we have better accounting, I suspect a lot of additional units will be closed. Until then, as they say, "Rich folks can afford to be foolish longer than poor folks".

In a 100,000,000,000 (100 billion) market, the gallons per unit per month break out as follows:

Number of Gallons per Unit Per Month	Number of Stations
25,000	332,000
50,000	166,000
100,000	83,333
200,000	41,666
250,000	33,000

The number of high gallonage units is increasing. As it increases, unless there is a corresponding increase in total consumption, it lowers the gallonage of older, existing units. I know of gasoline units now pumping over 400,000 gallons per month.

How should gasoline be sold?

Who can say? Most of the retailing units of today are stand-alone-units that rely a lot on gasoline margin to pay their costs. Except in unusual locations, gasoline retailing probably cannot be a stand-alone-business. When a great volume of gasoline is sold, it develops a great amount of customer traffic that can be of value to a multi-line retailer. Retailing combinations have been developed that can operate profitably on negative gasoline margin. As long as supply is available to these units, oil companies who try to stand alone with gasoline will have to subsidize their gasoline marketing operations with revenues developed from oil production and refining.

What will the margin on a gallon of gasoline be in the future?

What is the price differential in a given location that is necessary to develop 400,000 gallons of gasoline gallonage in a month? What is the value of 40,000 customers to a multi-line retailer? (400,000 gallons divided by 10 gallons per customer.)

The margin on a gallon of gasoline will hinge on this value. In the short run at least, this is possibly a negative margin. In the long run, it may be 2¢ a gallon. These new type gasoline retailers will build new competitive pressures into existing gasoline retailing units and force their modification, closure or subsidization. The pace of evolution in gasoline retailing is increasing. Evolution becomes a marketing revolution when the retailer down the street decides attracting customers is more important to his overall profits than developing gasoline margin.

Why should refiners subsidize stations and lose money in marketing?

You've got me. I've never understood this. I've always written it off to lack of vision, perspective and market planning. Marketing costs have increased and the cost of subsidization in the 80's is likely to be very great for those who try this route in order to maintain their market share.

Can buying gasoline be a pleasant experience?

What a different thought. That would be a powerful incentive to a lot of customers.

Is there going to be enough gasoline for everyone?

For those who don't learn to market gasoline better, there is going to be far too much. Absent price and allocation controls, the retail market will return to its old competitive ways.

Who ought to market gasoline?

People who know and practice good retailing principles There are retailing principles and policies that have been the backbone of success for all great merchants. For the most part, these principles appear to be unknown to the oil companies.

People that understand and worry about customers, ought to become gasoline marketers. Gasoline marketers ought to try to understand and worry about customers.

Successful retailers annual reports talk about value, service, satisfaction, guarantees, friendliness, cleanliness, and quality. They talk about upgrading the merchandise, the retail premises, and the value to the customer.

The cover of Albertson's annual report states, "It's good to shop in a well run store". Inside, it has sections entitled, "Well designed store; Variety of merchandise; Well trained employes; Modern distribution; Planning for the future; and Growing with our customers". The Sears annual report headings include Value, Service, and Satisfaction Guaranteed. McDonald's in their report discusses quality, nutrition and friendliness. Competent retailers know you have to please customers. Customers take their business to retailing units where they perceive that value is received.

Is there opportunity in gasoline marketing?

WOW! Is there! It's a massive business that's gone through a big change in it's marketing environment. Structural forces within the industry have kept it from acting on its own to meet their change in environment. The genie is out of the bottle, however, and market forces will require all companies either to act or react. The years ahead will undoubtedly see the rebirth of effective and efficient gasoline marketing.

ABOUT THE AUTHORS

This report was written and published by John Roscoe and Ned Roscoe. John Roscoe first entered the gasoline business in 1964 when he installed the first remote controlled self-service dispensing system into one of his food stores in Denver, Colorado. He now operates 160 food and gasoline units in 5 western states. In addition to *"The Gasoline Marketing Survey,"* he writes and publishes the *"Annual Dollars per Day Survey of the Small Food Store Industry."* The *"11th Annual Dollars Per Day Survey"* will be published in January 1982.

Ned Roscoe will graduate from the University of Chicago in June, 1982. He is studying economics and philosophy.

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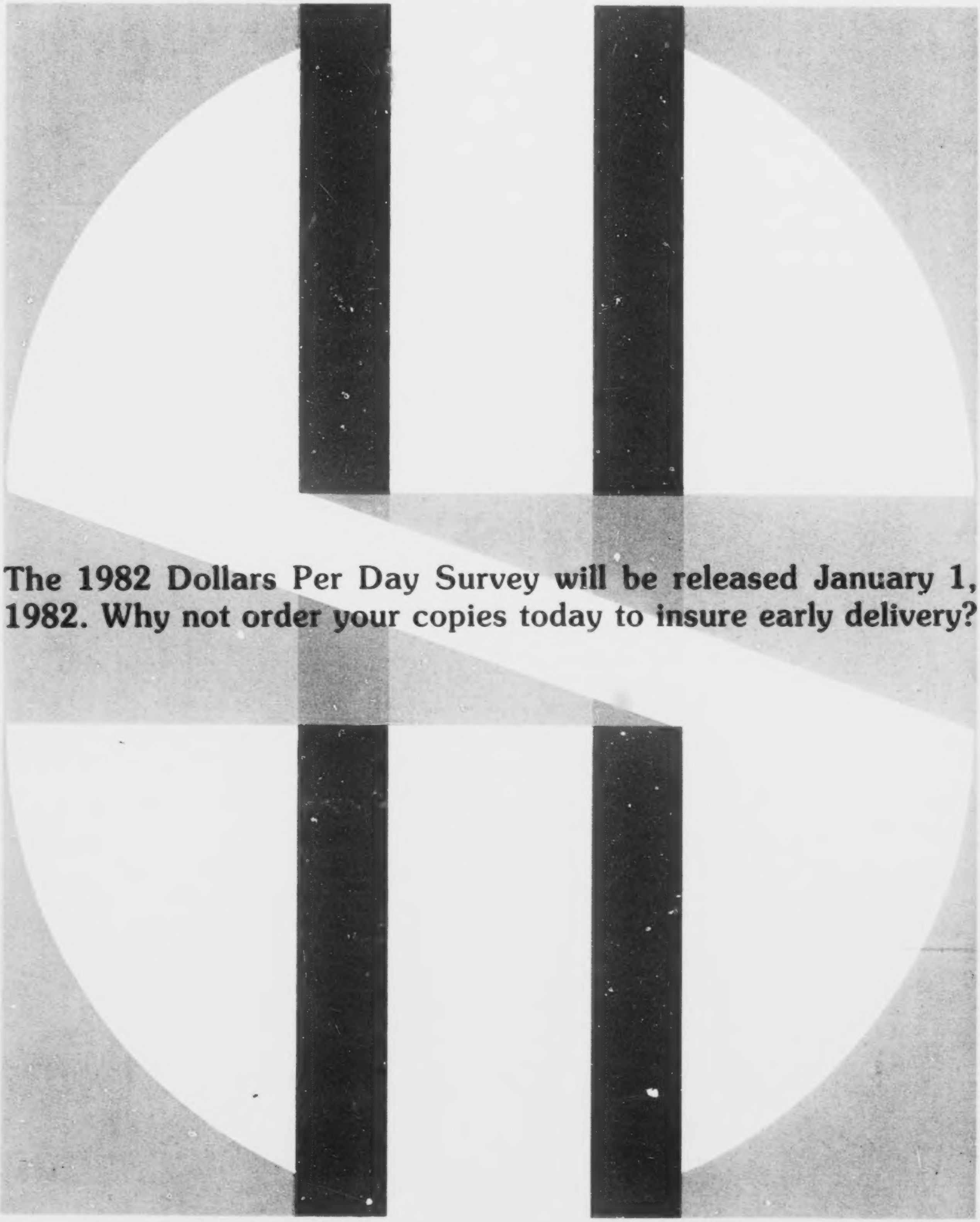

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